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OPEC Tri-Ministerial Conference: Focus on Strategy

The oil, foreign, and finance ministers from the OPEC nations are scheduled to meet in Vienna on 15 and 16 September to review the wide-ranging oil, aid, and political recommendations of the OPEC Long-Term Strategy Committee (LTSC). Although broad agreement already has been reached on many issues, including the establishment of an automatic price adjustment mechanism, a discordant note may be injected into the proceedings by disputes over short-term price and production policies. Some OPEC officials expect that the meeting will turn into a confrontation between Saudi Arabia and the more militant OPEC nations, particularly Iran, Iraq, Libya, Algeria, and Nigeria have scheduled a meeting just prior to the Tri-Ministerial Conference to coordinate their production and price positions. Confrontations over current policies could spill over into the discussions of the LTSC report, possibly even preventing agreement on aspects of the long-term pricing adjustment formula. [REDACTED]

Any unresolved issues among the LTSC recommendations will be dealt with by the committee over the next several months. Questions of implementation are unlikely to be settled quickly. A final review of the report is planned for a second Tri-Ministerial Conference scheduled for early November. The entire report will then be submitted to the summit meeting of sovereigns and heads of state of OPEC member countries in Baghdad on 4 and 5 November. [REDACTED]

Current Price and Production Issues

Contrary to press reports, Saudi Arabia has not yet decided to cut production from the current level of 9.5 million b/d. [REDACTED]

[REDACTED]

The Saudis recognize that maintaining production at 9.5 million b/d contributes to market pressures on other OPEC suppliers. On the other hand, the current market could absorb a 1 million b/d Saudi production cut without generating significant price pressures. Riyadh will have to raise prices by \$4 per barrel if it is to realign its oil prices with those of other OPEC members. While the timing of Saudi actions remains uncertain, we believe Riyadh intends to use a production cut as an inducement to gain agreement on a reunified crude price structure sometime during the course of the series of OPEC meetings beginning in mid-September. [REDACTED]

Background on LTSC

The OPEC Long-Term Strategy Committee was established during the May 1978 OPEC consultative meeting in Taif, Saudi Arabia. It is a ministerial-level committee composed of the oil ministers from the five founding members of OPEC—Saudi Arabia, Iran, Iraq, Kuwait, and Venezuela—and Algeria, representing the African OPEC members. The committee was established at the urging of Yamani, who maintained that OPEC ministerial conferences spend an inordinate amount of time discussing current price issues and not enough time considering long-run issues. [REDACTED]

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LTSC Recommendations

After working for two years on its report, the LTSC presented its recommendations at an extraordinary ministerial conference in Taif in early May 1980.

Price. The committee's main recommendation was for the adoption of an automatic quarterly price adjustment mechanism. The system would establish a floor price for crude oil that, in the long term, would approach the approximate level of the cost of alternative fuels. To guarantee movement toward this goal, the price floor would be adjusted upward in line with a three-point formula incorporating:

- An index reflecting the impact of inflation on international trade. The index would be based on an OECD export price index to reflect commodity inflation and an OECD domestic consumer price index (CPI) to reflect inflation in the price of services. The export price index would have twice the weight of the CPI.
- An exchange rate adjustment mechanism. The currency basket being considered is the original 11 currency Geneva II basket¹ modified to include the US dollar and weighted according to OPEC imports from the countries whose currencies are included.
- A provision for increasing the floor price in real terms proportionately to the growth in real GNP of the OECD countries.

The concept of automatic price increases was accepted by all of the OPEC members at the Taif conference. Iran, Libya, and Algeria, however, voiced reservations over the formula and insisted that price increases be based instead on:

- An index representing OPEC inflation rather than OECD inflation.
- GNP growth in the OPEC countries rather than the OECD countries.

¹ Australian dollar, Belgian franc, British pound sterling, Canadian dollar, French franc, Italian lira, Japanese yen, Netherlands guilder, Swedish krona, Swiss franc, and West German deutsche mark.

The majority of OPEC members rejected this approach, reportedly on the grounds that OPEC inflation—historically higher than the OECD rate—often includes factors for which the consuming nations cannot be held responsible and that use of OPEC GNP growth could lead to a spiral of oil price rises generating GNP growth which in turn would push up oil prices.

Although several compromises on price formulas were suggested at the Taif meeting, no agreement was reached and modifications were left to be developed by the LTSC. Over the last month or so, several reports have indicated that most of the differences among OPEC members were resolved. We have not been able to verify if or how the original formula may have been modified.

The LTSC report stresses that the pricing formula only establishes a *minimum* floor price, and that as the market swings from surplus to shortage OPEC's pricing strategy must be flexible enough to allow prices to rise above the minimum. The LTSC presented alternative courses of action to be considered when prices rise above this level:

- Prices may be frozen in real terms until the floor catches up with the higher market determined price level.
- A new price floor could be established at the higher level.

Prevailing market conditions and the political climate would play a large part in determining which alternative is chosen. If OPEC were to be unable to reach agreement on which path to follow, the effectiveness of the price mechanism would be impaired.

Although many details remain to be worked out, it seems clear that the Tri-Ministerial Conference will recommend to the OPEC Baghdad summit that an automatic quarterly price adjustment mechanism be adopted. Strong Saudi support for regular price increases is evidenced by a public statement made earlier this year by Yamani.

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As a result of the freeze imposed by Saudi Arabia, oil prices have more than doubled since the end of 1973. If the Western countries had been realistic and had accepted regular annual increases in the price of oil, then we have been such a sharp and sudden increase in prices, with the ensuing impact on their economies. I wish we had not frozen the price of oil in the past.

Riyadh undoubtedly also recognizes that an automatic price adjustment mechanism would free them from some of the political pressures that they face on the price issue.

If the proposed price adjustment mechanism had been in effect since 1973, the OPEC staff calculates that prices would have risen an average of more than 14 percent per year. By 1978—prior to the Iranian revolution—prices would have risen to \$17.82 per barrel, compared with the actual average official sales price of \$12.93. The formula would have called for a 1980 price level of \$24.26 per barrel, but prices would have risen above this level because of the oil market disruptions associated with the Iranian revolution.

Although we believe that the proposals currently under discussion have a better chance of being realized than similar ones in the past—the LTSC under the direction of Yamani already has been charged with developing a plan of action—OPEC agreement in principle may not translate into speedy implementation. Many operational details need to be resolved before any of the committee's recommendations can be put into operation. For example, while the OPEC price structure over the last several years has been based on the price for a benchmark crude, Saudi Arab Light (34°), the LTSC report recommends that Arab Light be dropped as the benchmark on the questionable grounds that it is no longer the "swing crude" in the world market place, that is, that there is no longer sufficient excess capacity to produce Arab Light to cover short-term swings in demand. The LTSC also cited changing supply/demand patterns—with demand tending toward lighter prod-

ucts while supply is becoming increasingly heavier—as justification for abandoning Arab Light as the marker crude. Riyadh undoubtedly would also prefer to distance its price decisions from those of OPEC by getting agreement on an alternate benchmark crude.

OPEC is considering several other options for a marker crude or crudes:

- Use of more than one benchmark—one for the Persian Gulf and one for the African region.
- A theoretical benchmark more representative of demand patterns.
- A theoretical benchmark reflecting the weighted average OPEC export barrel.

The problem of determining price differentials² among the various OPEC crudes will continue to exist. OPEC has never been able to adequately deal with this problem and the LTSC report sidesteps the issue by stating that, with a continuously moving price base, the problems should be less than experienced in the past. Other operational problems being worked on by OPEC include the periodicity and time lag in each of the components of the floor price and the associated question of changing price on the basis of projections or *ex post facto* adjustments.

Production. The LTSC report recommends that during periods of surplus supply "appropriate measures must be taken by all member countries to restrict production." The report, however, does not advocate a formal production programming scheme. Iraq has long been the leading advocate of production programming. More recently, Iran has become vocal in its demands for the institution of some OPEC-wide mechanism to prorate production cuts.

Saudi Arabia is adamantly opposed to any formal scheme for production programming, maintaining that each country should control its own production

² Differentials are the margins by which prices of various crudes differ from the price of the OPEC benchmark crude. Crude prices vary widely because of differences in crude quality and proximity to major markets.

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as a matter of national sovereignty. The Saudis, however, have made clear to their fellow OPEC members that after the current price structure is reunified, they will be more than willing to absorb their share of any necessary decline in output. Given the strength of Saudi opposition to programing, we believe it highly unlikely that a formal prorationing agreement would be included in the recommendations passed on to the Baghdad summit meeting.

The LTSC report recommends that underutilized productive capacity be brought on line to hold prices down during periods of shortage. It also suggests compensatory financing be made available to revenue short OPEC members during periods of falling demand.

Relations With Developing Countries

The LTSC recommendations on future relations between OPEC and other developing countries were approved by all members attending the May 1980 Taif meeting. The OPEC finance ministers can be expected to pay particular attention to the specifics for implementing these proposals. According to the report, OPEC assistance to developing countries should include:

- Assurances about security of oil supplies, with the developing nations having priority over supplies to industrialized countries.
- A series of loans and grants to help developing countries meet the cost of their oil imports. Loans to the poorest LDCs would be on concessional terms graduated according to degree of need, whereas loans to developing nations with stronger economies would be on commercial terms.
- Development aid, including aid for development of their indigenous energy resources.
- Balance-of-payments aid.

The report also recommends that OPEC "aid to developing countries not be given unilaterally without a commensurate commitment from the indus-

trialized countries." It points to the Iraqi proposal for a joint fund for energy and development as an ideal vehicle for achieving these objectives. Aid from developed nations would be expected to increase in real terms to offset import inflation.

Relations With Industrialized Countries

The LTSC report recommends that since recent developments in pricing and long-term supply seem to make some form of dialogue between OPEC and the industrialized countries inevitable, OPEC countries should be prepared to participate as a bloc. Most OPEC members see this as a way to prevent the developed countries from isolating the members from one another.

In negotiations with the developed countries, the report suggests OPEC seek:

- Free access to the markets of developed countries for refined products and petrochemicals.
- Access to advanced technology needed by OPEC countries for development.
- Increased involvement of industrialized countries in exploration activities in OPEC countries.
- Participation in joint research activities.
- Location of energy-intensive industries in natural gas producing areas within OPEC countries.
- Removal of economic sanctions against OPEC countries and the lifting of trade barriers on non-oil-producing countries.
- Guaranteed access to financial and investment markets in industrialized countries for OPEC funds on "at least parity of terms and conditions" with those applied among industrialized countries.

The report also recommends that because of the poor experience with previous producer-consumer meetings—specifically the Conference on International Economic Cooperation during 1975-77—participation should be limited to OPEC and OECD members. OPEC undoubtedly hopes that by excluding other developing countries from these meetings it will be able to limit criticism from these nations. The Tri-Ministerial Conference will consider how to proceed on these issues.

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stations and underground radios are directed toward increasing the discontent among the population. Moreover, Soviet diplomatic representatives are reported to have encouraged leaders of the Barzanis and other dissident elements in their resistance to the Iranian Army. Economic pressures are constantly applied to Azerbaijan; the Soviets continue to operate an illegal airline between Tabriz and Tehran, and they have maintained demands upon the Central Government for exclusive air rights covering Azerbaijan as well as other northern Iranian provinces. Moreover, they are applying increased pressure to secure Parliamentary approval for the formation of a mixed company to exploit the oil resources in five northern provinces including most of Azerbaijan, tentatively agreed to by Prime Minister Qavam in April 1946.

Internal instability facilitates Soviet intervention in Azerbaijan's affairs as a first step toward including Iran in the fringe of satellite governments it considers essential to Soviet security. The loss of Azerbaijan, which would deprive Iran of one-fifth of its population and cut off the source of almost one-quarter of its wheat, would threaten Iran's independence. All these circumstances focus attention on an area which possesses many elements of international dissension and which has long been subject to Russian interference.

PROBABLE FUTURE DEVELOPMENTS

Azerbaijan's future will be greatly influenced by the attitude of the Tehran Government toward the province's semi-nomadic tribes and sedentary agrarian population, but it will be largely determined by the relationship of Iran with the USSR.

The Direction of Soviet Activities.

From a military point of view, the USSR will continue to be able to reoccupy Azerbaijan at will. The weakness of the Iranian Army, attributable as much to low morale as to inadequate equipment, indicates that, important as Azerbaijan is to Iran's independence, the government cannot organize the province's defenses to offer even a delaying action against direct Soviet attack. In the face of strong US foreign policy, however, there is little likelihood that the USSR would risk the possibility of disrupting the United Nations by taking unilateral military action against Azerbaijan at present. Having encountered the strong censure of world opinion when they delayed withdrawal of Red Army troops and having failed to rally popular support to their puppet regime, the Soviets will, for the time being, probably restrict their activities in Azerbaijan to economic pressure and political subversion. If the Soviet oil agreement, as proposed, is approved by the Majlis, almost all of the province will be open to exploration and development by Soviet petroleum

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DEVELOPMENTS IN THE
AZERBAIJAN SITUATION

SUMMARY

Although the collapse of the pro-Soviet "Azerbaijan National Government" in mid-December of last year relieved much of the international tension centering in this strategically situated province in northwestern Iran, Azerbaijan's present unstable internal condition and persistent Soviet activities and ambitions in this region continue to make it a potential source of international friction.

While progress has been made in the re-establishment of order since the restoration of central authority over the province, the situation continues to be unstable owing to the opposition of heavily armed tribes to the army's program of forceful disarmament and because of dissatisfaction caused by excessive corruption practiced by both the army and civil administrations. The Prime Minister, despite strong army opposition, has been making efforts to secure a peaceful settlement with the tribes, and Azerbaijan's Governor General has given evidence of a desire to improve the local government. Serious fighting between the tribes and the army may be expected if the army attempts to carry out its disarmament policy, and discontent among the vocal sections of the non-tribal population may be expected to grow if excessive corruption and malpractices continue unabated.

Although tribal unrest and maladministration have long existed in Iran, they enhance the chances for successful Soviet subversion, which has recently taken the form of encouragement to dissident tribes to resist the army and of propaganda broadcasts designed to undermine the government. Moreover, the similarity in race and language among the populations on both sides of the Soviet-Azerbaijan border makes the infiltration of Soviet agents into Iran an easy matter.

Azerbaijan's position on the eastern flank of Turkey and Iraq, its nearness to the Caucasus oil fields, and its usefulness as a gateway to the whole of Iran give impetus to the Soviet will to control this province which contains one-fifth of Iran's population and produces nearly one-quarter of its wheat. Because of its strategic geographic position, its manpower, and its agricultural productivity, the loss of Azerbaijan would threaten Iran's independence.

Having incurred the strong censure of world opinion as represented in the United Nations for encouraging an autonomous regime in Azerbaijan, and having failed to arouse sympathetic response to communist doctrine among the local populace, the Soviets may be expected to

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limit their efforts in Azerbaijan for the time being to economic penetration and subversive activities. The USSR, however, will not abandon its ultimate objective of controlling Azerbaijan, and eventually all of Iran. To this end, the Soviets will doubtless bring much pressure upon Iran for oil concessions and air rights. The Iranians, encouraged by their success in regaining control of Azerbaijan and relying upon UN and US support, will resist Soviet domination and will probably reject the present Soviet demands for concessions. If these concessions are not granted, the USSR will probably intensify its efforts to create serious disorders in Azerbaijan, possibly as a pretext for subsequent unilateral Soviet intervention, maintaining in the United Nations that Soviet security was in jeopardy. It is yet doubtful whether the Iranian Government can take effective steps to counter such Soviet subversive activities. Azerbaijan, therefore, will probably continue to be a trouble spot in world politics.

Further discussion of the Azerbaijan situation is contained in the Enclosure hereto.

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ENCLOSURESTRATEGIC POSITION

Control of Azerbaijan by a foreign power would place that power in a position to dominate Iran because two lofty mountain ranges fan out from the province, forming a "V" which opens the rest of Iran to easy conquest. Azerbaijan is especially well placed geographically for penetration and military operations from the USSR. Tabriz, its capital, is but 62 miles from the Soviet border, which is 480 miles long and impossible for the Iranians to defend. Conversely, the Soviets would regard control of Azerbaijan by an unfriendly government as a serious threat to their rich Caucasus oil fields, which produce approximately three-fourths of the Soviet petroleum supply. Baku, key city of the Caucasus oil area, is but 125 miles distant from the Azerbaijan border. The possession of Azerbaijan by a power friendly to Iraq and Turkey is important to those countries as protection of their eastern flanks. Azerbaijan borders 202 miles on Turkey and 70 miles on Iraq, whose valuable Mosul-Kirkuk oil fields are 125 miles from this frontier. Although the rugged mountains between Turkey and Azerbaijan discourage extensive military action in that quarter, the border farther south presents a better military route into northern Iraq, which in turn offers access to southern Turkey.

A description of the geography and economy of Azerbaijan is contained in Appendix "A" hereto, while its ethnic composition is described in Appendix "B".

HISTORICAL BACKGROUNDPrior to World War I

During the past 120 years, the history of Azerbaijan has been intimately bound to that of an expanding Russia. The present border between the province and the USSR was established in 1828 when, after two disastrous wars, Iran was forced to cede areas which are now a part of the Soviet Socialist Republics of Georgia, Armenia, and Azerbaijan. Not only did this forced cession deprive Iranian Azerbaijan of territory which had for centuries been an integral part of the province, but it also divided the ethnic-language group composing much of the population. The Anglo-Russian Agreement of 1907, which provided for zones of Russian and British influence in Iran, was used by Russia as justification for intervening in Azerbaijan's affairs in 1908. Russian troops were sent to keep order in Tabriz (the capital) during upheavals accompanying the Persian Revolution, were subsequently maintained in the province, and were used to quiet further internal disturbances in 1910.

World War I to World War II

Azerbaijan was a battleground for Russian, Turkish, and British armies during World War I, and during the subsequent two years suffered from famine and insecurity. With the advent of Riza Khan as army chief of staff in 1931, strong efforts to re-establish Iran's authority over the area were encouraged by the favorable terms of the 1921 Soviet-Iranian Treaty of Friendship. Under the terms of this agreement the young Bolshevik Government renounced extraterritorial rights and all concessions and holdings gained in Iran during the Czarist regime (including the Julfa-Tabriz Railway) with the exception of Soviet interests in the Caspian Sea fisheries. The USSR did, however, reserve "the right to advance her troops into (Iran) for the purpose of carrying out military operations necessary for its defense" should a third party threaten the frontiers of Russia through this area and should Iran be unable to meet such a threat after having been once called upon to do so by Russia.

Riza Khan took advantage of Soviet preoccupation with internal matters to reduce Iran's economic dependence on the USSR and to extend his firm control over dissident elements in Azerbaijan. The Kurdish rebellion of 1922, part of a larger movement for Kurdish autonomy originating among Turkish and Iraqi Kurds, was decisively crushed. During his reign as Shah (1925-1941), Riza Khan endeavored to strengthen Iranian solidarity by requiring the exclusive use of the Persian language in schools and in official correspondence, by choosing administrators largely from Tehran, and by fostering an economic development program in which many neutral experts, particularly German nationals, were employed.

During World War II

Following the opening of German-Soviet hostilities, both Great Britain and the USSR demanded that German agents throughout Iran, including many in Tabriz, be expelled. As a result of the Shah's failure to orient Iran toward the Allied cause, it became strategically expedient for the Allies to occupy the country. Soviet columns crossed into Azerbaijan in late August 1941 at the same time that the British attacked Iran in the south. Every important city in Azerbaijan was occupied within four days, and "cease fire" orders were immediately forthcoming from Tehran. Riza Shah, the keystone of strong central authority, was replaced by his young and politically weak son, Muhammed Riza Pahlavi, and Azerbaijan entered a period of complete foreign occupation. The Tripartite Treaty of January 1942, in which the USSR and Great Britain guaranteed Iranian sovereignty and territorial integrity and agreed to the withdrawal of all foreign troops within six months after the end of the war, did little to restrict Soviet activities in Iran to matters of military necessity.

The familiar pattern of Soviet political penetration became quickly evident in Azerbaijan as imported agents began agitation through the pro-Soviet Iranian Tudeh Party. Disregarding treaty obligations, the USSR prevented the moving of additional Iranian security forces into Azerbaijan in 1943 and blocked the supply and movement of troops already there. Aided by Soviet intimidation of the opposition, the Tudeh Party was able to elect two deputies from Azerbaijan to the Majlis (Parliament) in the spring elections of 1944. In October of that year, oil concessions covering 216,000 square miles in northern Iran, including most of Azerbaijan, were demanded by the USSR of Prime Minister Sa'id's government. The decision not to grant any concessions so long as foreign troops occupied Iranian soil led to Soviet-inspired anti-government demonstrations and to the fall of Sa'id's cabinet in November 1944. The five succeeding cabinets have found Azerbaijan and Iranian-Soviet relations their most difficult problem.

The Autonomous Movement

Following the war, the USSR, instead of preparing to withdraw the garrison of approximately 60,000 Soviet troops in Iran, increased it by 15,000 soldiers with the heaviest addition assigned to Azerbaijan. The motive for this action became quickly apparent. In September 1945, a new "Democratic Party", an outgrowth of the Tudeh Party, began to clamor in Tabriz for autonomy, and a similar movement with Soviet backing was initiated among the Kurdish tribes in southwestern Azerbaijan. Democratic partisans took over the Azerbaijan government the following December, called a "National Congress", and installed the Soviet-trained Iranian, Jaafar Pishevari, as president. Meanwhile, a Kurdish Republic was set up at Mahabad under Qazi Muhammed, a Kurdish leader who had received direct encouragement from Soviet diplomatic agents in Azerbaijan.

Central Government garrisons disintegrated, and for a year the autonomous regime held sway. Because of the similarity in race and language between the inhabitants of Iranian and Soviet Azerbaijan, it was a simple task for the USSR to export Soviet nationals and former Iranian subjects to stiffen the Azerbaijan People's Army or to act as secret police and political leaders in the movement. Under mounting pressure from world opinion shaped by Iran's appeal to the United Nations, the Soviet garrison in Azerbaijan was finally withdrawn in May 1946, two months after the deadline set by the Tripartite Treaty of 1942. Agents of the USSR remained, however, and were reported to number at least 5,000 during the greater part of the "Democratic" regime.

Meanwhile, Ahmad Qavam, astute elder statesman, had been appointed Prime Minister of Iran in January 1946.* In June he succeeded in reaching a basic agreement with the Tabriz Government whereby Azerbaijan would enjoy limited autonomy and could anticipate increased representation in the National Government. Disagreement over details, however, delayed implementation of the agreement, and in October, negotiations were broken off by the Azerbaijan Government in protest over Qavam's dismissal of Leftists from the Tehran Government. The Shah then demanded that Qavam allow the use of troops to take possession of the area; and finally in December 1946, despite Soviet intimidation, the Government ordered direct military action. The failure of the USSR to give active support to the "Democrats" and the weakness of the Azerbaijan army enabled the Iranian forces to occupy the province within a matter of days. The disintegration of the Soviet-inspired regime was swift and complete. Qavam, the army, and above all the Shah, were widely acclaimed as liberators, and all three enjoyed unprecedented popularity.

CURRENT SITUATION

Corrupt and Oppressive Rule

Five months have elapsed since the Central Government's troops marched into the province to depose the "Democrats", many of whom poured into the USSR along the 480-mile Azerbaijan-Soviet border. Within this time the enthusiasm with which the population welcomed the return of Iranian authority changed to widespread dissatisfaction over government maladministration and army corruption. Since the fall of Azerbaijan, the army has conducted a virtual military occupation of the province, which is still under Martial Law. It filled the jails not only with political prisoners but also with persons who resist its venal practices. The execution of collaborationists unable to buy their freedom, although temporarily suspended during the recent Majlis elections, has now been renewed.

Public declarations by Qavam and the appointment of Ali Mansur, a former prime minister of wide experience in government service, as the province's new governor general encouraged the hope that a more enlightened, progressive administration would be provided for Azerbaijan. Nevertheless, wealthy landlords were permitted to abuse

- * Shortly after his appointment, Qavam went to Moscow in an attempt to ease Iran's strained relations with the USSR. The trip proved fruitless. In April, however, he and the Soviet Ambassador in Tehran reached an accord providing that (1) the Central Government would seek a peaceful settlement of its differences with Azerbaijan; (2) an agreement covering the formation of a mixed Soviet-Iranian company to exploit Iran's northern oil resources would be presented to the Majlis for consideration; and (3) Red Army troops would be withdrawn from northern Iran, including Azerbaijan.

the peasants in extorting crop shares for the past year, the collection of which had been specifically prohibited by Prime Minister Qavam at the time central authority was restored. Subordinate officials of dishonest reputation re-entered the local government; now, however, the government is screening Azerbaijan's civil and gendarmerie officials in an effort to improve the provincial administration.

Disturbances in Western Azerbaijan

The western part of the province, predominantly a Kurdish area containing many well-armed tribesmen, has been particularly unsettled. The number of rifles and machine guns in Kurdish hands is variously estimated to be between 25,000 and 100,000; and although the tribes generally have expressed a desire to cooperate with the Central Government, continued mutual distrust, engendered by long years of oppressive measures by the army and excesses on the part of both the tribes and the government, makes them obviously a potential source of trouble. The Iranian Army has thus far been unable to carry out the administration's program for disarmament, and while leaders of the principal Kurdish tribes manifest some acquiescence in partial disarmament provided protection and fair treatment are promised them, little more than a token surrender of arms is anticipated.

The western area has also suffered from extensive looting and pillaging, which followed the fall of the autonomous regime in the province. Furthermore, the Iranian Army has had great difficulty in subduing certain tribesmen who had collaborated with the "Kurdish Peoples Republic" (established under Soviet aegis in February 1946 and terminated along with the autonomous government). These tribesmen include renegade elements indigenous to the area and the Barzani Kurds, who fled from Iraq to Iran in 1945 after the Iraqi Government had condemned their leaders for rebellious activities. To evict the Barzanis from Iran, Central Government military leaders found it necessary to augment their force of 10,000 troops in southwestern Azerbaijan with heavily-armed loyal tribesmen--a clear indication that the army alone is unable to effect tribal disarmament.

Soviet Complicity

The broader implications of the deteriorating situation become evident in the light of the USSR's proximity to Azerbaijan and in view of the common Soviet practice of capitalizing on local difficulties. When the autonomous regime collapsed, livestock, goods, and arms were transported into Azerbaijan SSR by the discredited "Democrats" who are still being harbored in adjacent Soviet territory, ready tools for future penetration of the unsettled province. Broadcasts from Soviet

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DEVELOPMENTS IN THE AZERBAIJAN SITUATION

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technicians, and the USSR will undoubtedly use these privileges to further its efforts to gain hegemony over Iran. Similarly, if the persistent Soviet demands for air rights in northern Iran are granted, Azerbaijan will receive an additional influx of Communist agents in commercial guise. If these concessions are not granted or are ineffectual in gaining Soviet aims, the USSR will probably intensify its efforts to create friction or even warfare between tribes and army, or similar serious disturbances which might, at an appropriate future time, provide the Soviets with an excuse to intervene unilaterally, thus presenting the United Nations with a fait accompli based on a claim that Soviet security was in jeopardy.

The Iranian Course of Action

The prevailing sentiment among deputies-elect to the Majlis is to refuse the USSR any and all concessions. The unpopularity of the recent autonomous regime with an estimated 90% of the population does not preclude the possibility of another Soviet-inspired regime's gaining power in an Azerbaijan subjected to intense subversive activities among its dissatisfied tribal and non-tribal elements. Iran's best defense against such activities would be to provide a better administration, stimulate employment, and pursue a rational tribal policy. While it is doubtful that sufficient action will be taken to improve the government of the province, Tehran will undoubtedly attempt to implement its economic development program, which contemplates extensive public works improvements. Prime Minister Qavam and influential tribal leaders will continue to work for the adoption of a moderate tribal policy, but will meet strong opposition from military leaders, who favor disarmament of tribes by force and who have great influence with the Shah. Unless the Shah can be induced to support peaceful settlement of the tribal problem, the army's "blood and iron" policy is likely to prevail. In such event, the relationship between tribes and government will further deteriorate, probably developing into serious conflicts abetted and encouraged by the Soviets. Although the tribes may relinquish a portion of their less serviceable weapons to the army at this time, they will be in a position to oppose the government with strong force as soon as the present heavy military concentration in the area is reduced for the purpose of disarming the Qashqais and other southern tribes. It is more than likely that serious fighting will then, if not before, break out in the Kurdish area, where the tribes will undoubtedly be supported covertly and possibly openly by the Soviets.

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CONDITIONS AND TRENDS IN THE MIDDLE EAST AFFECTING US SECURITY



NIE-73

Published 15 January 1953

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All members of the Intelligence Advisory Committee concurred in this estimate on 8 January 1953.

CENTRAL INTELLIGENCE AGENCY

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CONDITIONS AND TRENDS IN THE MIDDLE EAST¹ AFFECTING US SECURITY

THE PROBLEM

To identify the major forces and trends in the area, to assess their origin, relative strength, and probable development, and to estimate their effect on the Western and Soviet positions in the area, in the absence of general war.

CONCLUSIONS

1. In addition to its objective of contributing to stability in the Middle East, the West has a specific and basic concern with the extensive oil resources and strategic location of the area. Denial of these assets to the West would constitute a serious setback to it in the struggle with the Soviet Bloc, even if the area did not come directly under Communist control.
2. Patterns of authority are being undermined by rising discontent among nearly all social groups. This discontent is finding expression in growing demands for elimination of foreign influence and for internal social, economic, and political reforms.
3. Attainment of stability is obstructed by the ineffectiveness of Middle Eastern governmental and political institutions, by inadequate development of economic resources, by Arab-Israeli hostility, and by inter-Arab rivalries.
4. The USSR will continue to encourage disorder and anti-Westernism and to exploit the substantial opportunities for creating friction among states of the area, between them and the West, and among the Western Powers. Soviet rulers may estimate that the area can be effectively denied to the West without being brought under direct Communist control and without forcing the USSR prematurely to accept full responsibility for supporting Communist regimes in the area.
5. Local Communist parties, except possibly in Iran, are not likely to develop the strength to seize and maintain control of Middle Eastern governments during the next few years. However, Communist influence will probably grow, the principal danger being that without formally assuming control Communists will exercise an increasing influence on non-Communist governments.

¹ This estimate deals with Iran, Iraq, Syria, Lebanon, Jordan, Saudi Arabia, Yemen, Egypt, and the principalities of the Arabian peninsula. Conditions in Turkey and Israel, and their relations with the West and the Soviet Bloc, differ in so many respects from those in the rest of the Middle East that they will be treated only insofar as they affect developments in the rest of the area.

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6. However, except for Iran, Middle Eastern states do not feel immediately threatened by the USSR and they fear that acceptance of Western support would lead to Western domination. In particular, the acceptance of US influence is seriously hampered by the Arab conviction that the US is responsible for maintaining the state of Israel, and by US association with the former colonial powers — the UK and France.

7. Although we do not believe that a breakdown of authority is imminent, except possibly in Iran, the over-all situa-

tion with respect to stability is deteriorating.

8. In the foregoing circumstances, governments will probably rely increasingly on their armed forces to retain power. Although such authoritarian regimes offer hope of arresting the drift toward disorder, they will be beset by many internal problems. They will also have to find a solution to the problem of establishing relations with the Western Powers which will be acceptable to nationalist aspirations at home, but which will permit them to obtain Western military and economic aid and advice.

DISCUSSION

Introduction

9. In addition to its objective of contributing to stability in the Middle East, the West has a specific and basic concern with the extensive oil resources and strategic location of the area. Denial of these assets to the West would constitute a serious setback to it in the struggle with the Soviet Bloc, even if the area did not come directly under Communist control.

10. The Middle Eastern states do not have the strength to stand alone in the modern world or the capacity to cope with their own internal problems. In past years, the presence of British and French power in the area contributed to stability, even though it also provided a focal point for nationalist opposition. Ineffective governments and inadequately developed resources still make outside support essential to Middle Eastern stability. Yet these states, jealous of their independence, fear that acceptance of Western support would lead to Western domination. The question, therefore, is whether a new relationship can be established between the Middle Eastern states and the West which will on the one hand mollify Middle East suspicions of the West, and on the other

permit such Western advice and support as will enable Middle Eastern states to maintain internal conditions generally favorable to themselves as well as to Western interests.

Basic Forces

11. Patterns of authority are being undermined throughout the Middle East by rising discontent among nearly all social groups. The traditional ruling classes — landlords, tribal leaders, and wealthy merchants — while struggling to maintain their privileged positions, have shown little ability or disposition to solve growing social and economic problems. There has been a rapid growth of educated and semi-educated elements in the cities — students, government workers, professional classes, junior army officers, small businessmen — whose aspirations for improved economic and social status are frustrated. These elements are being aroused by agitators offering varied and often conflicting programs — religious fundamentalists preaching a return to true Islamic practice; secular reformers advocating such programs as land reform, the elimination of corruption, and the extension of democratic government; proponents of authoritarian rule along fascist lines; and finally, the Communists. Urban

Industrial workers are not yet numerous or well-organized, and the large peasant class is in general still politically passive. Both groups, however, are becoming more responsive to political agitation.

12. Each country is at a different stage of social change and political development. In Saudi Arabia and Yemen, where no political parties exist, the tribal monarchies are in firm control. In Jordan, political activity outside the court and tribal leadership is just beginning to take form, and is being fomented by educated elements from West Jordan. The old guard is still in control in Iraq, but the advocates of change are growing in strength. Although secular reformers are in control in Egypt and Syria, attainment of social and political stability is by no means assured. In Iran, the National Front's insistence upon pursuing an anti-British policy, regardless of the effect on the nation's economy, may lead to further political and economic disintegration from which only the Communists could profit.

13. Throughout the area, many proponents of change have a similar negative and emotional attitude. There is a general disposition to eliminate the powers that be, with little regard or thought for what comes after. The two basic forces that motivate the proponents of change are:

a. A desire to eliminate foreign influence. The Middle Eastern governments and people are basically suspicious of Western motives and tend to become increasingly nationalist and neutralist.

b. A growing demand for internal social, economic, and political reforms. Few of these reforms, however, have been cast as positive programs.

Obstacles to Stability

14. Attainment of stability is being blocked by a number of problems not capable of easy or quick solution. They include ineffectiveness of the instruments of government, serious economic problems, and rivalries among the states of the area.

15. Existing political institutions and governmental machinery are inadequate in the present situation. Many legal and political forms have been copied from the West, but have not been adapted to Middle Eastern needs. In addition, there is a shortage of trained personnel, and a tradition of responsibility and integrity in government is lacking. Governments are further handicapped by the facts that the formerly dominant class is inflexible and resistant to change and that the proponents of change frequently offer programs incapable of rapid or practical implementation. Any government efforts to execute reform programs encounter strong resistance from special interests.

16. Growing pressure for economic improvement adds to the problems facing Middle Eastern governments. Except for oil, the area has few economic resources. Egypt, Jordan, and Lebanon are overpopulated in relation to arable land and known resources. Although Syria, Iraq, and Iran have much land which could be brought under cultivation, development of this potential would require many years and large-scale investments. Government efforts to develop the resources of the area are handicapped by inefficient economic procedures, untrained personnel, and resistance to new methods.

17. Israel and the related Arab refugee problem constitute a major obstacle to stability in the Middle East. Arab hostility toward the new state and fear of Israeli intentions have aggravated the difficulties of the Arab states in tackling pressing internal problems, have burdened them with high military budgets, and have prevented the development of an expanded area economy. Although Syria has broken the solid Arab front against resettlement of Arab refugees (totalling 800,000) by signing an agreement with the UN for resettlement in Syria of 80,000 refugees, final solution of this problem is a long way off. No progress has been made toward solving other Arab-Israeli difficulties. The Arab states fear an Israeli attempt to conquer additional territory under the pressure of overpopulation and lack of economic resources, particularly water. Conversely, Is-

rael fears that a growth of Arab strength will lead to a war of revenge.

18. The stability of the area is also weakened by rivalries among the Arab states. The Arab states have a common cultural and religious heritage which some religious and political leaders have hoped to make the basis for area cooperation and unity. The psychological and political significance of this common heritage has been overshadowed in the recent past by petty dynastic quarrels, narrow nationalistic politics, religious differences, and differences of economic interest. These have made disunity a characteristic of the Middle East and have interfered with efforts to solve common problems. Effective leadership for the area as a whole has not been forthcoming. Egypt, which is regarded as the state most likely to provide such leadership, dominates the Arab League, but has had little success in achieving positive united action. Attempts by Turkey, Pakistan, and others to promote unity in the area have evoked little response.

Obstacles to US Influence in the Middle East

19. US association with Israel is a continuing irritant in US-Arab relations and the major obstacle to the acceptance of US influence in the Middle East. The Arab world is united in its belief that the US is primarily responsible for the establishment of Israel, which it interprets as an act of ruthless anti-Arab imperialism. Moreover, many Arabs believe that US partiality in the Arab-Israeli dispute is further demonstrated by US failure to press more vigorously for enforcement of UN decisions on Arab refugees, on delimitation of the borders of Israel, and on the internationalization of Jerusalem. The US faces the dilemma that Israel cannot survive without foreign aid and that US aid to Israel deepens Arab resentment against the US.

20. US alliance with the UK and France, the most important former colonial powers in the area, also arouses Arab distrust. Demands in French North Africa for greater independence are strongly supported in the Middle East. Most Middle Eastern countries will al-

most certainly remain determined to weaken if not abolish British influence and special privilege. On the other hand, the UK, for reasons of prestige as well as of economic and military security, feels that it cannot afford to relinquish its still substantial military and economic positions. US efforts to bring the two parties together run the risk of (a) encouraging each side to be less inclined toward compromise in the hope of eventual US backing; and (b) evoking charges of favoritism from both sides. Finally, a too rapid abandonment of British positions would leave a military vacuum which the US would have difficulty in filling, and which would accentuate insecurity and create further opportunities for Soviet or local Communist exploitation.

21. The US is also handicapped by the fact that the Arabs do not feel immediately threatened by the Soviet Union or recognize an immediate personal stake in the East-West struggle. They are far more apprehensive of Israeli aggression, and they suspect that Western interest in the area's defense is merely a camouflage for strengthening Western influence at the expense of their independence.

Soviet Capabilities and Intentions in the Middle East

22. The USSR has so far carried on relatively small-scale overt political activity in the Middle East. Soviet rulers probably estimate that Western influence is declining, that economic and political deterioration will continue, and that the general situation will become steadily more favorable to the expansion of Communist influence. Soviet rulers may conclude that the area can be effectively denied to the West without being brought under direct Communist control and without forcing the USSR prematurely to accept full responsibility for supporting Communist regimes in the area. The USSR will continue to encourage extremism of many kinds, particularly anti-Western and nationalistic, and to utilize opportunities to embarrass the relations of the Western Powers with each other and with the states of the area. Conditions in the Middle East, particularly the

Arab-Israeli dispute, offer the USSR many opportunities for increasing these activities and for winning Arab good will.

23. Although the Moscow-directed Communist Parties are small and illegal and are not now, except in Iran, a major political factor in the Middle East, Communism contributes to and profits from unrest in the area. The Communist program holds out a ready solution attractive to dissatisfied groups, particularly the educated class. The Communists can exploit the widespread hostility against the Western Powers and the ruling classes without too openly revealing Soviet imperialist motives and goals. Communist agitation among workers and peasants is increasing, and Communist influence is likely to grow as these groups become more insistent upon improving their lot. The principal dangers posed by the Communists are: (a) that they will infiltrate government and military services to the point of seriously interfering with the exercise of authority; (b) that progress toward reform and economic improvement will be so slow that radical groups will become discouraged and turn to Communism; and (c) that non-Communist groups, particularly the nationalist and reformist elements, will become divided, Communist-infiltrated, or willing to cooperate with the Communists, to such an extent that small, disciplined Communist parties can exercise a decisive influence on governments of the area even without formally assuming control.

PROBABLE DEVELOPMENTS

Political Developments in the Arab States

24. We do not believe that a breakdown of authority in the Arab states is an immediate danger. Their security forces, if given effective leadership, are capable of maintaining internal control. None of the Communist parties is likely during the next few years to develop the strength to take over the governments by peaceful means or by force. Nevertheless, the over-all situation with respect to stability is currently deteriorating.

25. In this situation, governments will probably rely increasingly on their armed forces to retain power. Military reformist regimes are already in power in Egypt and Syria, and further regimes of this type may emerge. Although such authoritarian regimes offer hope of arresting the drift toward disorder, they will be handicapped by their lack of experience in dealing with economic and social problems; by the difficulties of implementing reforms which produce quick and tangible benefits for the people; and by opposition from vested interests, extreme nationalists, Communists, and possibly religious fundamentalists. If they are to succeed, such regimes will have to provide the people with some prospect of participation. They will also have to find a solution to the problem of establishing relations with the Western Powers which will be acceptable to nationalist aspirations at home, but which will permit them to obtain Western military and economic aid and advice.

Political Developments in Iran²

26. Iran presents a more pressing problem than that existing in the other states of the area, owing in part to the proximity of the Soviet Union and the strength of the Tudeh Party, and in part to the more immediate danger of social, political, and fiscal breakdown. The longer present trends in Iran continue unchecked, the more difficult it will become to prevent a breakdown of government authority which would open the way for at least a gradual assumption of control by Tudeh. Although such a breakdown appears unlikely during 1953, the Iranian situation contains so many elements of instability that it might occur at any time. The loss of Iran to Communism would be a blow to US and Western prestige and would increase the vulnerability of the remainder of the Middle East and of the Indian subcontinent.

² See NIE-75/1, "Probable Developments in Iran through 1953," published 9 January 1953.

Economic Developments

27. The Middle East's basic economic difficulties are not likely to be resolved in the foreseeable future. It is improbable that local action can correct the low and, in some places, declining standard of living, technological backwardness, and foreign trade problems. Middle Eastern foreign trade, except possibly that of Iran, will probably continue to be principally with the Western nations. The most important foreseeable economic developments will relate to oil and to foreign aid programs.

28. Anti-Westernism and nationalism are growing threats to Western oil interests in the Middle East. However, the Arab states are unlikely to attempt to nationalize their oil industries unless they become convinced that Iran is profiting more as a result of oil nationalization than they are under existing contracts. Saudi Arabia and the small Arabian principalities are generally aware of their inability to produce and market oil without the assistance of major Western oil companies. Nevertheless, the states of the area, particularly Iraq, may be expected to exert greater pressure for an increased share of the oil revenues, for a reduction in the privileged position of the Western oil companies, and for greater local participation in their management. Refusal of the Western oil companies to make some adjustments to these pressures would increase Arab hostility toward the West and might eventually lead to further nationalization of Middle Eastern oil resources.

29. Oil revenues are an important source of revenue for government operations and potentially a source of capital for economic development in the Middle East. The oil companies provide important technical and educational services. Although fear of losing oil revenues acts as a deterrent to the adoption of extreme anti-Western policies, such rational self-interest cannot be counted upon in the present emotional political climate in the Middle East.

30. As pressures increase for economic and social reform, the governments will be under

increasing compulsion to turn to the West for assistance. The granting of such assistance may influence the evolution of the area and offer Middle Easterners hope of a solution to their social and economic problems. Nevertheless, there are formidable obstacles to a successful aid program in the Middle East. Western supervision of such aid will be handicapped by the sensitivity of the governments of the area to any signs of Western interference in local affairs. Demands for aid will probably be large and for projects which the nations of the area are not ready to use effectively; US refusal to meet these demands will create disappointment which may increase anti-US sentiment.

Military Developments

31. Middle East armed forces are incapable, individually or collectively, of effectively resisting attack by a major power. The availability and usefulness of manpower for military and military support purposes is limited by prevailing inefficient agricultural techniques, physical disabilities, a high rate of illiteracy, and lack of technical and mechanical training. None of the states of the Middle East has the resources or industrial base to support modern armed forces, and nearly all countries are already allocating disproportionately large shares of their resources for military purposes.

32. Accordingly, defense of the Middle East against Soviet Bloc aggression will ultimately depend on employment of Western armed forces. At present, local forces are not even capable of manning and maintaining adequate bases for quick and effective use by Western forces in the event of war. Efforts to strengthen Middle Eastern defenses against aggression are confronted by obstacles already noted. The Middle Eastern states, except Iran, do not feel immediately threatened by the USSR. They are apprehensive of a renewal of Western domination. Hence, there is a growing demand in most of the area for elimination of existing Western bases and removal even of existing Western military forces.

33. On the other hand, the emergence of regimes relying largely on the support of local armed forces will stimulate demands for Western assistance in the training and equipping of those forces. But here again, this opportunity for Western influence is limited by the deep Arab-Israeli antagonism. Any aid given to one side will arouse resentment in the other.

34. It is possible that the desire for military assistance will be strong enough to induce the Arab states to join with the Western Powers in a regional defense organization, particularly if Egypt should take the lead. The success of such an organization would depend largely upon the extent to which the states of the Middle East could be convinced that they were participating as equals with the Western Powers. Even so, it is unlikely

that participation in such an organization would quickly lead the Arab states to agree to the stationing of more Western troops in the area or to the allocation of their own forces to a command organization. However, such an organization would provide a mechanism for coordinating Western military aid and advice to the Middle East states and for carrying out some preliminary defense planning. It might also have some beneficial political and psychological effect and would give the West an opportunity to reduce Middle East suspicions of Western "imperialist" designs. Such an organization is not likely to develop sufficient military strength in the Middle East during the next few years to cause the USSR to consider itself seriously threatened. Soviet rulers, however, would be particularly sensitive to any Western military moves in Iran.

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PROBABLE DEVELOPMENTS IN IRAN THROUGH 1953

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NIE-75/1

Published 9 January 1953

The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff. This estimate, NIE-75/1, incorporates certain amendments to the Conclusions of NIE-75 made by the IAC on 11 December. It therefore supersedes NIE-75, which was published 13 November 1952.

All members of the Intelligence Advisory Committee concurred in this estimate on 2 January 1953.

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PROBABLE DEVELOPMENTS IN IRAN THROUGH 1953

THE PROBLEM

To estimate probable future developments in Iran through 1953.

CONCLUSIONS

1. The Iranian situation contains so many elements of instability that it is impossible to estimate with confidence for more than a few months. On the basis of present indications, however, it appears probable that a National Front government will remain in power through 1953, despite growing unrest. The government has the capability to take effective repressive action to check mob violence and Tudeh agitation and will probably continue to act against specific challenges of this sort as they arise. The government is likely to retain the backing of the Shah and control over the security forces.

2. Even in the absence of substantial oil revenues and of foreign economic aid, Iran can probably export enough to pay for essential imports through 1953, unless there is a serious crop failure or an unfavorable export market. The government probably will be able to obtain funds for its operation. Some inflation will occur. Capital development will be curtailed, and urban living standards will fall. However, we do not believe that economic factors, in themselves, will result in the overthrow of the National Front in 1953.

3. Under these circumstances, the Communist Tudeh Party is not likely to develop the strength to overthrow the National Front by constitutional means or by force during the period of this estimate. Although the danger of serious Tudeh infiltration of the National Front and the bureaucracy continues, Tudeh is also unlikely to gain control by this means during 1953. Nevertheless, unexpected events, such as a serious crop failure or a split in the National Front as a result of rivalry among its leaders, would increase Tudeh capabilities greatly. And if present trends in Iran continue unchecked beyond the end of 1953, rising internal tensions and continued deterioration of the economy and of the budgetary position of the government are likely to lead to a breakdown of governmental authority and open the way for at least a gradual assumption of control by Tudeh.

4. Settlement of the oil dispute with the UK is unlikely in 1953.

5. During 1953 Iran will attempt to sell oil to other buyers, both in the Soviet Bloc and the West. Shortage of tankers will limit sales to the Soviet Bloc to token amounts. Small independent Western

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oil companies will probably not buy significant quantities of oil. We estimate that major Western oil companies will not be willing to make an agreement with Iran so long as the current legal, economic, and political obstacles exist. Nevertheless, some moderate-sized oil companies are becoming restive, and it is possible that combinations for the purchase and transport of substantial quantities of Iranian oil may be made unless there is direct and strong objection by the US Government. The British would probably regard any arrangement between US oil companies and Iran, in the absence of British concurrence, as a serious breach of UK-US solidarity.

6. Kashani or possibly another National Front leader might replace Mossadeq during 1953. Any successor would probably be forced to resort to ruthless tactics to eliminate opposition. In his struggle to eliminate his opposition and particularly if he failed to do so, Tudeh influence and opportunities for gaining control would increase rapidly.

7. The Mossadeq regime almost certainly desires to keep US support as a counterweight to the USSR and appears to want

US economic and military assistance. Nevertheless, there will probably be an increasing disposition to blame the US, not only for Iran's failure to sell substantial amounts of oil or to obtain an oil settlement, but also for Iran's financial and economic difficulties.

8. Therefore, the US Point Four and military missions are likely to find it even more difficult to operate during 1953 than at present. They would probably be placed under severe restrictions if Kashani or other extremists came to power. However, neither the Mossadeq Government nor a successor National Front regime is likely to expel these missions during 1953.

9. The USSR appears to believe that the Iranian situation is developing favorably to its objectives. We do not believe that the USSR will take drastic action in Iran during 1953 unless there is a far more serious deterioration of Iranian internal stability than is foreseen in this estimate. However, the USSR has the capability for greatly increasing its overt and covert interference in Iran at any time, to the detriment of US security interests.

DISCUSSION

INTRODUCTION

10. Events since the nationalization of oil in 1951 have profoundly changed the political climate in Iran. The political forces which brought Mossadeq and the National Front to power are powerful and lasting. The Shah and the formerly dominant landowning class have lost the political initiative, probably permanently. Nevertheless, the coalition of urban nationalists and religious zealots which Mossadeq heads has no agreed program for the future, being united primarily by a com-

mon desire to rid the country of foreign influence and replace the traditional governing groups. The ability of the National Front to remain in power, as well as Iran's ultimate role in the East-West conflict, will depend in large measure on the National Front's success in working out solutions to the serious social, political, and economic problems which will confront it during the next year.

11. Although unrest in Iran derives from a complex of factors extending far beyond the oil dispute with the UK, this dispute none-

theless has become the focal point of political activity. Mossadeq rode to power on the issue of nationalization of oil, and his present political strength derives largely from his continued defiance of the UK.

PROSPECTS FOR A NEGOTIATED OIL SETTLEMENT

12. *British Attitude:* We believe that the UK will almost certainly continue to insist that there be some form of neutral arbitration of the amount of compensation for the seizure of Anglo-Iranian Oil Company properties even though nationalization *per se* is no longer an issue. The UK will probably also continue to resist making payments against Iranian claims without first obtaining firm Iranian commitments to follow through with a settlement.

13. In taking this stand, the UK is motivated primarily by considerations of prestige and precedent. The Conservative government would face strong political opposition at home if it agreed to Mossadeq's present terms. Perhaps more important, the British feel that capitulation to Iran would threaten their own and the Western oil position generally in other parts of the Middle East. Meanwhile, the British feel under no immediate compulsion to make a settlement with Mossadeq. In the first place, increased production in other areas has already made up for the loss of Iranian crude oil production, although the refining capacity at Abadan has not been fully replaced. Secondly, although the UK believes that lack of oil revenues will result in progressive economic and political deterioration in Iran, it does not appear to regard a Communist takeover in Iran as imminent.

14. Moreover, the British are not likely to be induced to make greater concessions to Iran by the prospect of Iran's selling oil in the absence of a settlement with AIOC. The UK probably believes that in the absence of an agreement between Iran and a major US oil company, it can continue to exert economic pressure on Iran and prevent the shipment and sale of significant quantities of Iranian oil in world markets. The British would probably regard such an agreement, in the

absence of British concurrence, as a serious breach of UK-US solidarity.

15. *Iranian Attitude:* Although the Mossadeq Government desires and needs revenues from the sale of oil, its attitude toward the oil dispute is conditioned largely by political considerations. The National Front has manipulated oil nationalization into such a powerful symbol of national independence that no settlement would be acceptable unless it could be presented to the Iranian public as a clear political victory over the UK. Mossadeq has been under growing pressure from extremists such as Kashani who maintain that Iran's oil resources are a curse rather than a blessing and that Iran should reorganize its economy to avoid dependence on oil revenues. On the other hand, Mossadeq's strength with other elements in the National Front has depended largely on his continued success in persuading the Iranian people that he is doing his best to restore oil revenues but that he is being blocked by British intransigence, injustice, and greed. Whether or not Mossadeq has the political strength and prestige to persuade the Iranian public to agree to an oil settlement on terms which the UK could accept, his performance to date provides no indication that he desires to or will do so. On the contrary, he has made successively greater demands for British concessions.

16. We believe, therefore, that a negotiated oil settlement during the period of this estimate is unlikely.

PROBABLE DEVELOPMENTS IN THE ABSENCE OF A NEGOTIATED SETTLEMENT

The Oil Problem

17. Despite the severance of diplomatic relations with the UK, Iran will probably be receptive during the coming year to further proposals for a settlement of the oil dispute. For political as well as economic reasons it will also make every effort to sell oil to other buyers, both in the Soviet Bloc and the West. It will avoid entering into any agreements which could be construed as violating Iran's sovereignty or its control of the oil industry.

18. It is unlikely that Iran will sell significant quantities of oil during 1953 unless it can make arrangements with a major Western petroleum distributing firm or a combination of moderate-sized firms. Although it is likely to sign further trade agreements with Soviet Bloc countries calling for delivery of Iranian oil, the extreme shortage of tankers available to the Soviet Bloc will restrict shipments to token amounts. It also is unlikely to sell financially significant quantities of petroleum to small independent Western oil companies in view of the difficulties which these companies would have in chartering the necessary tankers and in breaking into established markets. We estimate that major Western oil companies will not be willing to make an agreement with Iran so long as the current legal, economic, and political obstacles exist. Nevertheless, some moderate-sized oil companies are becoming restive, and it is possible that combinations for the purchase and transport of substantial quantities of Iranian oil may be made unless there is direct and strong objection by the US Government.

19. Barring an agreement with a major Western concern or combination of moderate-sized firms, Iran will not realize sufficient revenue from oil to alleviate appreciably either the government's fiscal problem or the nation's economic difficulties. The principal effect of such limited sales would be political. They would enhance Mossadeq's prestige by enabling him to claim success in defying the UK and to claim that his government was making progress toward restoring oil revenues.

Economic and Financial

20. To date the loss to Iran of oil revenues does not appear to have been directly reflected in reduced consumption levels, although investment has been slowed. Wholesale prices and the cost of living index have risen very little since early 1951. Since the beginning of 1952, there has been some drop in real income and business activity, and a corresponding rise in unemployment, mainly because of the postponement of government disbursements under budgetary pressure.

21. Until mid-1952, the government financed its deficits mostly by selling government assets to the government-controlled Bank Melli and borrowing from semi-public institutions. By mid-1952, the government had exhausted nearly all its gold and foreign exchange holdings except for the legal minimum required as backing for the currency. Since mid-1952, the government has been meeting its deficit, currently running at 300,000,000 rials a month, principally through unsecured loans from the Bank Melli.

22. Mossadeq is not likely to make substantial reductions in government expenditures. Although he at one time considered reducing the armed forces budget, more recently he appears to have realized the importance of these forces in maintaining order throughout the country. He cannot afford to stop payments to the unemployed oil workers at Abadan. Although he may attempt to resettle some of those workers in other areas, he will be reluctant to do so as long as there is a possibility of reviving the oil industry. Mossadeq may, in fact, be forced to increase government expenditures, to provide, for example, working capital for factories and to finance the small economic development projects already under way. Moreover, he must find funds for relief during the slack winter months, when some unemployed agricultural and construction workers customarily migrate to the cities.

23. Prospects for increasing government revenues during 1953 are slight. The only significant sources of increased tax revenue are the wealthy landlords and capitalists. Although Mossadeq has the authority and will probably make greater efforts to tap these sources, perhaps in some cases by outright confiscation, even full exploitation of these sources would not eliminate the government deficit. On the basis of recent experience, further bond issues are not likely to raise adequate amounts.

24. In the absence of foreign aid during 1953, therefore, the government will probably resort increasingly to deficit financing, primarily by unsecured loans from the Bank Melli

and by increasing the amount of currency in circulation. The government may also resort to confiscation of property and the sale of government stocks, such as opium and rice.

25. Iran's imports will continue to decline. Although exports are expected to be slightly higher than the 1951-1952 level, they will be sufficient to meet only about one-half Iran's imports prior to the oil dispute. In view of the near exhaustion of foreign exchange holdings, imports will have to be reduced to approximately this level, thus contributing to inflationary pressures and causing some reduction in urban business activity. Reducing imports will cause sharp reductions in the availability of luxury goods and some reductions in capital goods during 1953, but is not expected to deprive Iran of essential imports. There will also be a trend toward barter agreements, and the already substantial Iranian trade with the Soviet Bloc will tend to increase.

26. The net results of the financial and economic steps likely to be taken by the government during 1953 will probably be: price increases of perhaps as much as 20 to 30 percent; some reduction in living standards in the cities; a substantial increase in the national debt; a reduction of privately held and government stocks; and further postponement of the government's own economic development program. A continuing low level of capital goods imports will lead to some deterioration of Iran's physical plant; at the same time, upward pressures on the price level, arising in large part from government deficits and declining public confidence, will bring nearer the danger of runaway inflation. Moreover, the government will have little margin of safety for coping with such unanticipated eventualities as a serious crop failure. Although we do not believe that these developments, singly or collectively, are likely in themselves to cause the overthrow of the National Front in 1953, a continuation of these trends beyond 1953 will have a serious effect on political stability.

Political

27. The principal internal political problems facing a National Front regime will be to retain popular support, to preserve unity in the National Front, and to maintain the morale and effectiveness of the security forces.

28. During 1953 the dispute with the UK will gradually become less effective as an instrument for rallying popular support behind the government. As the economic effects of the loss of oil revenues become more noticeable, the government will be under greater pressure from large property owners to restore oil income. Tudeh and the more radical elements in the National Front will increase their demands for social and economic improvements. In response, the National Front government will probably attempt a more vigorous enforcement of agrarian and labor legislation. Enforcement will be haphazard and will require increased use of force. The agrarian program will be bitterly opposed by some landlords, and clashes between peasants and landlords are likely to increase.

29. The illegal Tudeh Party will continue to profit from the gradual economic deterioration that will take place during 1953 and from the haphazard enforcement of the government's program for social and economic improvements. The party will continue its efforts to weaken and divide the National Front, will attempt to instigate riots and disorders by peasants and urban workers, and will intensify its propaganda against the US and the Shah. It will probably make some further progress in infiltrating the National Front and some government agencies. However, the government has the capability to take effective repressive action to check mob violence and Tudeh agitation. It has recently outlawed strikes and will probably continue to act against specific Tudeh challenges to its authority as they arise. We believe that Tudeh will not be granted legal status during 1953 and that it will not develop sufficient strength to gain control of the government by parliamentary means or by force. There is serious continuing danger of Tudeh infiltration of the National Front and the gov-

ernment bureaucracy, but we believe that Tudeh will not be able to gain control of the government by this means during 1953.

30. To maintain itself in power, the government will rely increasingly on the security forces. As stated above, the government can and probably will avoid substantial reductions in the military budget. Recent changes in the high command are not believed to have significantly reduced the morale and effectiveness of the security forces. These will probably remain loyal to the government and if given explicit orders will probably be capable of maintaining order except in the unlikely event of simultaneous nation-wide riots and disturbances. We do not believe that the Tudeh Party will develop sufficient strength during 1953 to instigate disturbances beyond the capability of the security forces to control.

31. Mossadeq will probably continue to benefit from the inability of the opposition to unite or exert effective power. In the past, Mossadeq has shown great skill in isolating his opponents and attacking them one by one. He is likely to continue those tactics and to adopt progressively forceful measures against the opposition. The Majlis has granted him authority to rule by decree until mid-February, and we believe he will be able to have this power extended if he considers it necessary.

32. It seems probable that the National Front will remain in power during 1953. It is likely to retain the backing of the Shah and control over the security forces. The groups opposing the National Front are not likely to have the strength or unity to overthrow it. However, we are unable to estimate with confidence whether Mossadeq himself will remain in power during 1953. Kashani, Mossadeq's strongest potential opponent, will probably continue to exert a strong influence on Mossadeq and consequently will probably prefer to remain in the background while Mossadeq continues to shoulder responsibility. On the other hand, Kashani is building up his own political strength and might, should he so

desire, be able to oust Mossadeq by parliamentary means during 1953.

33. Kashani would also be the probable successor to Mossadeq in the event of the latter's death. Regardless of how Mossadeq is replaced, Kashani or any other National Front successor could not be assured of the support of all the diverse elements of the National Front. Any successor regime would, therefore, be likely to resort to ruthlessness to destroy opposition. In its struggle to do so, and particularly if it failed to do so, Tudeh influence and opportunities for gaining control would increase rapidly.

34. If present trends in Iran continue unchecked beyond the end of 1953, rising internal tensions and continued deterioration of the economy and of the budgetary position of the government might lead to a breakdown of government authority and open the way for at least a gradual assumption of control by Tudeh.

PROBABLE DEVELOPMENTS IF THE UK AND IRAN REACH AGREEMENT ON THE OIL QUESTION

35. If the Iranian Government reached an oil settlement with the UK — no matter how favorable to Iran — it would almost certainly be confronted with violent demonstrations in urban centers by the Tudeh Party and probably by extremist elements in the National Front. There would also be immediate danger of Tudeh sabotage of oil installations. However, the government would almost certainly have the backing of the Shah, the security forces, and the more moderate National Front elements and would probably be able to suppress these disturbances. The resumption of large-scale oil exports would go far toward easing the government's budgetary difficulties and would enable it to take steps to increase the supply of goods and reduce inflationary pressures, and to expand its economic development program. Nevertheless, anti-foreign sentiment, particularly against the UK, would remain strong, and even with substantial oil revenues the government would still have great difficulty in dispelling the antagonisms aroused between landlords

and peasants and between the "haves" and "have nots," which would continue to be a major cause of instability.

PROBABLE DEVELOPMENTS IF IRAN SELLS SUBSTANTIAL QUANTITIES OF OIL WITHOUT BRITISH CONCURRENCE

36. If Iran were to succeed in making a contract for the continuing sale of substantial quantities of oil to a major Western oil company without having reached a settlement with the UK, the economic effects would be substantially the same as those described in paragraph 35 above. Tudeh reaction would almost certainly be violent, and there might be some opposition from extremist elements in the National Front. In any event, the government could suppress any disturbances that might arise and its prestige would be considerably enhanced. Basic causes of instability would remain, but the government would be in a stronger position to arrest the trend toward eventual Tudeh control.

IRANIAN RELATIONS WITH THE US AND USSR

37. The Mossadeq regime will probably continue its pressure on the US to persuade the UK to agree to Iranian terms in the oil dispute and will be quick to criticize any signs of what it considers US support for the UK. It will also continue to request financial assistance, arguing that the withholding of US aid increases the danger of ultimate Tudeh control.

38. The Mossadeq regime will not wish completely to alienate the US. Mossadeq almost certainly desires US support as a counterweight to the USSR and he appears to desire US economic and military assistance. Nevertheless, as internal tensions mount, there will be an increasing tendency to blame the US, not only for the failure to restore substantial oil revenues, but also for Iran's financial and economic difficulties. The US military and Point Four missions in Iran may therefore find it even more difficult to operate during 1953 than at present.

39. Kashani or other extremist National Front leaders who might succeed Mossadeq

would probably be more opposed than the Mossadeq regime to the exercise of US influence in Iran and would probably place greater restrictions on US missions in Iran. However, their recognition of the need of US support to counter Soviet pressure and their acknowledgment of the value to Iran of Point Four aid would probably check any inclination they might have either to terminate Point Four aid or to expel the military missions.

40. Iran's official relations with the USSR will probably remain cool and guarded. Although both governments will seek to increase trade between Iran and the Soviet Bloc, the National Front will almost certainly avoid any action which would subject Iran to Soviet domination. On the other hand, it will not wish to destroy the USSR's value as a counterweight to the West. In the UN, Iran will probably take a neutralist, anti-colonialist position and support any attempt to establish a neutral Arab-Asian bloc.

41. For its part, the USSR appears to believe that the Iranian situation is developing favorably to its objectives. While continuing its support of Tudeh and its violent radio attacks on the government and the Shah, the Soviet Union is unlikely to take any drastic action to influence the Iranian situation during 1953 except in the unlikely event of a far more serious deterioration of Iranian internal stability than is foreseen in this estimate.

42. The USSR, however, has the capability for greatly increasing its interference in Iran at any time, to the detriment of US security interests. Its capabilities include: greatly increased support of disaffection and subversion in Azerbaijan, including the infiltration of Soviet Azerbaijanis; greatly increased financial support for Tudeh; offer of economic and financial inducements to Iran; stirring up of the Kurds; and heavy pressure for the removal of the US missions, legalization of Tudeh, and removal of legal bans on the Tudeh press. The USSR would probably refrain from use of Soviet armed forces in Iran, because of the possible global consequences of such intervention. Soviet intervention short

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of the use of Soviet armed forces would probably not result during 1953 in the direct overthrow of the Iranian Government or the detachment of Azerbaijan but could have a seriously adverse effect on the stability and integrity of Iran and on US security interests there.

43. Negotiations on the future of the USSR's Caspian Sea Fisheries concession, which expires 31 January 1953, may provide an indication of a change in Soviet-Iranian relations, although both Iran and the USSR will probably confine themselves at most to hard bargaining.

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NATIONAL INTELLIGENCE ESTIMATE

PROBABLE DEVELOPMENTS IN IRAN THROUGH 1954



NIE-102

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PROBABLE DEVELOPMENTS IN IRAN THROUGH 1954

THE PROBLEM

To estimate probable developments in Iran through 1954.

CONCLUSIONS

1. Relatively moderate governments are likely to continue in Iran through 1954, although hampered by: (a) the indecision of the Shah; (b) the irresponsibility of the diverse elements making up the Iranian political community; and (c) the unruliness of the Majlis. The chances that Zahedi himself will remain prime minister through 1954 are not good.
2. Few significant steps toward the solution of Iran's basic social, economic, and political problems are likely to be taken during the period of this estimate. The effectiveness of the government will largely be determined by its success in dealing with Iran's immediate fiscal and monetary problems and in making some apparent progress towards settlement of the oil dispute. An early and satisfactory oil settlement is unlikely. Without further outside financial aid, an Iranian government probably would manage to cope with its immediate fiscal and monetary problems by resorting to deficit financing and other "unorthodox" means. Under such circumstances, it would encounter — and with difficulty probably keep in check — mounting pressures from extremist groups.
3. The security forces, which are loyal to the Shah, are considered capable of taking prompt and successful action to suppress internal disorders and recurrent rioting if provided timely political leadership. This capability will continue if, during the period of this estimate: (a) security forces receive adequate financial support; (b) differences between the Shah and top level leaders over control of the security forces are not seriously aggravated; and (c) strong public opposition to the regime does not develop.
4. Tudeh's capabilities do not constitute a serious present threat to the Iranian Government, and the Tudeh Party will probably be unable to gain control of the country during 1954, even if it combines with other extremist groups. It will retain a capability for acts of sabotage and terrorism.
5. Iran will attempt to maintain friendly relations with the USSR, but will almost certainly resist any Soviet efforts to increase its influence in Iran's internal affairs.
6. Failure to receive continued financial aid from the US or an acceptable oil settlement will probably result in a government coming to power which will be less friendly to the US than the present one.

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DISCUSSION

I. PRESENT SITUATION

Political and Military

7. The overthrow of the Mossadeq government on 19 August 1953 checked the drift in Iran toward Communism and isolation from the West. The authority of the Shah has been reasserted, and a moderate government under General Zahedi is in power. This government is committed to maintaining the constitutional position of the monarchy and the parliament, suppressing the Communist Tudeh Party, and launching an economic development program predicated on settlement of the oil dispute. The accession of Zahedi to power has eliminated neither the economic and social problems which have long plagued Iran, nor the weaknesses and inadequacies of the Iranian political system.

8. The armed forces are loyal to the Shah, who has taken prompt action to re-establish himself as commander-in-chief in fact as well as in theory. The morale of the security forces has improved, and they can be expected to respond promptly in support of the government if given timely political leadership.

9. Increasing friction and uncertainty are developing within the Imperial General Staff because of the Shah's tendency to by-pass Zahedi on military matters and because of mutual efforts of Zahedi and Chief of Staff Batmangelich to undermine each other and place their own men in key positions. Although political maneuvering to this degree is unusual, even in the Iranian high command, there is no evidence that it has as yet impaired the effectiveness of the security forces.

10. The Zahedi government has taken vigorous action against the Tudeh Party. The party's organization has been at least temporarily disrupted, and many of its most active members have been arrested. Most of the known Tudeh members and sympathizers who had infiltrated government agencies have been purged. The Tudeh Party has also lost much of its popular support. Its immediate capabilities for exerting pressure on the gov-

ernment are limited, even if current efforts to obtain the cooperation of die-hard nationalist and extremist groups are successful. Tudeh retains, however, a capability for acts of sabotage and terrorism.

11. Outside the security field, the Zahedi government has made little progress. The Majlis has lacked a quorum since the withdrawal of pro-Mossadeq members in the summer of 1953. Hence the government is presently unable to obtain legislation needed to carry out its announced program. Moreover, the regime has reached no firm decision on how and when to reconstitute a functioning legislature. Although the Shah and Zahedi agree on the necessity of holding elections, they apparently fear that new elections may cause a resurgence of extremist sentiment, are uncertain how to insure the election of a manageable Majlis, and have not yet definitely scheduled the holding of elections.

12. Meanwhile, the government has done little to strengthen its political position in preparation for new elections. Zahedi has enlisted few if any real allies among the politicians formerly associated in opposition to Mossadeq. The present cabinet is dominated by members of the old ruling class, many of whom have little genuine sympathy for reform, command little political support, or are suspect because of former identification with the British. Zahedi himself has had little success in convincing the public that he will not compromise the basic objectives of the National Front, especially with respect to oil nationalization. Finally, the strength and standing of the Zahedi government is being impaired by friction between Zahedi and the Shah.

13. These developments have hastened the breakup of the loose array of politicians aligned against Mossadeq and have encouraged an early revival of factionalism and intrigue. Public criticism of the government and preliminary maneuvering to undermine Zahedi are already beginning to emerge. Nationalist and extremist elements are most active in these respects. However, National

Front leaders who supported Mossadeq until the end are still publicly discredited, and open opposition to the government in other quarters is not united. The government's strained relations with the Qashqai tribes, which have been traditionally hostile to the present dynasty and were closely associated with Mossadeq, are under present circumstances an irritant rather than a major threat.

Economic

14. The Zahedi government faces serious budgetary and monetary problems. Mossadeq's oil policy resulted in reduction of public revenues by about a third, and he was able to meet government operating expenses and keep the oil workers paid only by curtailing the development program, reducing the level of imports, depleting the government's financial reserves, and illegally expanding the currency. Zahedi has thus been left with a depleted treasury and a sizeable operating deficit. The emergency grant of \$45 million extended by the US soon after Zahedi took office will enable him to meet current operating expenses until about February or March of 1954, provided that the government takes effective steps to cope with its conversion problem.

15. Zahedi will also have to contend with economic dissatisfactions engendered or aggravated by Mossadeq's economic policies. Because of a series of good crops and the government's success in maintaining essential imports, the predominant rural sector of the Iranian economy has suffered little from the shutdown of the oil industry, and serious economic difficulties have not emerged elsewhere. To some extent, essential goods are being obtained by barter trade with the USSR. On the other hand, foreign exchange for essential imports from other countries has been maintained through a ban on the import of luxury and semi-luxury goods. Politically active upper class groups resent this ban and almost certainly will seek to have it lifted. The urban middle and lower classes have been disappointed by a situation in which the prospect for economic and social improvements has become more remote and in which their already low level of living has gradually deteriorated.

16. The Zahedi government clearly recognizes the importance of settling the oil dispute and getting the Iranian oil industry back into operation. It has indicated that it considers Mossadeq's attitude toward oil negotiations to have been arbitrary and unrealistic, and has already made some halting efforts to prepare Iranian public opinion for a settlement which might involve some retreat from Mossadeq's demands. The obstacles to solution of the oil problem nevertheless remain great, mainly because the Iranians hope for greater control over oil operations and higher financial returns than are likely to be acceptable to the international oil industry.

Foreign Affairs

17. The Shah and Zahedi are cooperating with the US and have indicated their desire to improve relations with the UK. Although the new government has signed the barter agreement with the USSR which was under negotiation at the time of Mossadeq's downfall, it has at least for the present discontinued Mossadeq's policy of attempting to play the USSR off against the West.

18. The government's interest in cooperating with the US and its receptiveness to US advice are due in large measure to its current dependence on US financial aid, and probably also to a belief that Communism is the overriding threat to Iran's independence. The government's good standing with the US, as demonstrated by its receipt of emergency budgetary aid, is at present one of its main political assets within Iran. Anti-US agitation has died down except for spasmodic efforts on the part of Tudeh.

19. The new government is conscious of the need for British agreement in the revival of Iran's oil industry. However, basic suspicions of British intentions remain widespread. The government is still reluctant to resume formal diplomatic relations with the UK before there is tangible progress toward an oil settlement.

II. PROBABLE DEVELOPMENTS

20. Few significant steps toward the solution of Iran's basic social, economic, and political problems are likely to be taken during the

period of this estimate. The effectiveness of the government will largely be determined by its success in dealing with Iran's immediate fiscal and monetary problems and in making some apparent progress towards settlement of the oil dispute. We believe that relatively moderate governments are likely to continue through 1954. Without further outside financial aid, an Iranian government probably would manage to cope with its immediate fiscal and monetary problems by resorting to deficit financing and other "unorthodox" measures. Under such circumstances, it would encounter — and with difficulty probably hold in check — mounting pressures from extremist groups.

21. If the Shah were assassinated, a confused situation might arise. The succession to the throne is not clearly established, and disorders attending his death might permit extremist groups, with or without Tudeh Party collaboration, to gain power.

Economic

22. The Shah and the Zahedi regime are likely to be more reasonable than Mossadeq in their approach to the oil problem, but an early and satisfactory solution is not likely. The following generalizations can be made:

a. The oil issue is still politically explosive in Iran and will be an issue in the electoral campaign. The Zahedi regime will probably not wish to reach a formal oil agreement with the British before the completion of the elections, which usually take several months. In any case no Iranian regime could survive if it appeared to be compromising the provisions of the oil nationalization law or retreating far from Mossadeq's basic demands. Once a Majlis is reconstituted, it can probably be brought to ratify an agreement which does not appreciably violate these conditions, but only after vigorous political pressure and public propaganda by the government.

b. Although there appears to be general agreement that the marketing of Iranian oil will have to be undertaken by a combination of Western firms rather than by the Anglo-Iranian Oil Company alone, a multiplicity of complicated legal, commercial, and technical

problems must be worked out before a definite proposal can be made to Iran. Even if an oil agreement is reached and ratified, Iran will not reap sizeable financial benefits at once, unless through some form of advance against future oil deliveries.

23. It therefore appears that sometime during 1954 Iran will encounter difficulties in meeting its budgetary expenses. After the present US emergency grant is exhausted, the Iranian Government will either require additional outside financial assistance or will be forced to seek Majlis authorization for a resumption of deficit financing of the sort that Mossadeq engaged in illegally. The Majlis would probably grant such authorization, but with great reluctance, and only if there appeared to be no hope of timely outside aid. Moreover, this course would in the long run probably result in a progressive weakening of Iran's financial stability. Exports will probably continue to pay for essential imports, and barring serious crop failure, general economic activity is expected to continue at approximately the present level. If there is an oil settlement, barter trade with the USSR is not expected to reach significant proportions. However, in the absence of such a settlement or continued grants of financial aid, Iran will be forced to depend heavily upon USSR barter trade for essential items.

Political

24. Although Zahedi faces no immediate challenge, the chances that his government will survive through 1954 are not good. Basic conflicts continue within and between the traditional governing groups, who are eager to regain the position of privilege they held before Mossadeq, and the urban middle and lower classes, who are demanding economic and social reforms and greater participation in government. These conflicts could flare out into the open at any time, particularly during proposed elections or over such issues as the disposition of Mossadeq or the oil dispute.

25. Mossadeq remains a problem for the regime. So long as he remains alive, he will be a potential leader for extremist opposition

to the regime. On the other hand, if Mossadeq were executed in the near future the resultant disturbances would be serious but could probably be suppressed.

26. The necessity of reconstituting the Majlis poses a serious problem for the Zahedi government. The new regime is firmly committed to a return to parliamentary government and appears unwilling to face the consequences of deliberately postponing elections. It is likely that elections will be held within the period of this estimate. However, political instability is likely to be increased by the electoral campaign and by the nature of the Majlis likely to be elected. Once the electoral campaign begins, political groups now maneuvering covertly for position will come out in the open, with increasing danger that popular emotions will again become aroused and lead to mob violence.

27. The new Majlis will almost certainly be a heterogeneous body including representatives of the traditional governing groups, tribal leaders, former Mossadeq supporters, and ardent nationalists like Mullah Kashani and Mozafar Baghal. Many members will be little interested in stable government or will be basically unsympathetic to the government's reform program. Others will suspect Zahedi of too close association with the traditional governing groups and will oppose settlement of the oil dispute and rapprochement with the British. From these disunited groups, representing a variety of conflicting interests, Zahedi must put together majorities for controversial fiscal and monetary legislation and such politically explosive measures as those relating to an oil settlement.

28. These difficulties Zahedi will be able to surmount only so long as he has the firm backing of the Shah, who has once again become a key factor in Iranian politics. The Shah apparently feels that his restoration to power is due to his high personal popularity with the Iranian people, and he appears determined to assert his authority. There are indications, however, that he is still unwilling to give strong backing to any prime minister, and at the same time is not willing to assume the role of dictator himself. His latent jeal-

ousy of Zahedi, his attempts to appoint court favorites to key government posts, and his by-passing of Zahedi in exercising his command of the armed forces might at any time lead to a situation in which Zahedi would become ineffective. If strong opposition to Zahedi develops in the Majlis, the Shah will probably jettison Zahedi and appoint a new cabinet, thus in effect returning to the chronic governmental ineffectiveness and instability of the pre-Mossadeq era.

29. The Shah would probably be successful in replacing the Zahedi government with another relatively moderate one. However, if foreign aid is substantially reduced and there is no oil settlement or reasonable prospect of one, moderate governments would encounter greater popular opposition. The Shah would then be faced with the alternatives of ruling by increasingly authoritarian means or making greater concessions to extremist elements. If additional US financial assistance is not forthcoming when the current grant is exhausted in the spring of 1954, and if at that time Iranian public opinion were already greatly aroused over such issues as Majlis elections or an oil settlement, a serious crisis might develop. The Shah and a government enjoying his support could probably survive such a crisis, although they would lose important elements of their following.

30. The Tudeh Party will probably be unable to gain control of the country during the period of this estimate, even if it combines with other extremist groups. It will nevertheless be able to capitalize on any decrease in popular confidence in the government. It will also retain a capability for acts of sabotage and terrorism. The strength of pro-Shah anti-Tudeh sentiment in the armed forces, while at present a major deterrent to Tudeh assumption of power, will be weakened if there is a marked increase in popular support for Tudeh.

Foreign Affairs

31. The hope of obtaining continued and increasing US aid, both in restoring oil revenues and in providing funds in their absence, makes it almost certain that the Shah and his gov-

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ernments will continue to cooperate with the US. A sharp curtailment in US aid to Iran would not only make Iran less receptive to US advice and influence, but would significantly reduce public confidence in the government's ability to improve social and economic conditions and maintain internal security. There will also be increasing pressure, particularly from the Shah, for an expansion of US military aid. Even if the Shah should be offered considerable inducement in the form of military aid, he would not agree to join with the US in formal arrangements for defense of the Middle East, since such a commitment would be strongly opposed by many Iranians, would

not obtain Majlis approval, and might, in his mind, provoke the USSR into invoking the 1921 Treaty.

32. Iranian relations with the UK will largely depend on progress in settling the oil dispute. Settlement of the dispute would almost certainly result in some gradual revival of British political and commercial influence in Iran.

33. During 1954 Iran will attempt to maintain friendly relations with the USSR and will continue efforts to settle questions in dispute. It will almost certainly resist any Soviet efforts to increase its influence in Iran's internal affairs.

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BRIEF HISTORY OF UNIT

(S) (U)

The US ARMY INTELLIGENCE SUPPORT ACTIVITY (USAISA) was created after Iran Hostage Situation.

(U) During the Iranian Crisis, JCS responded to satisfy the critical need for detailed military intelligence by creating USAISA's predecessor, a joint organization known as the FIELD OPERATIONS GROUP (FOG).

(U) This was an adhoc organization composed of selected personnel who were trained to fill critical intelligence and operational units.

(U) JCS directed the Army to ration the unique capability developed during the Iranian hostage crisis.

(U) The Chief of Staff, Army authorized creation of the US Army Intelligence Support Activity on 29 January 1981.

(S) 2. USAISA is the only unit in DOD specifically designed [redacted] to address unique military intelligence and special operations needs.

(S) Personnel are carefully screened prior to selection. Operational personnel are selected from volunteers [redacted]

(U) Training of operative personnel is among the most intensive in the US Army and includes:

(1) The Assessment and Selection (A&S) course. A rigorous program designed to place the candidate for assignment to USAISA in a sufficient number of different physically and mentally stressful situations to provide assessment data to form the basis for a selection decision by the Commander.

(S) (2) The Core Training Course (CTC). The CTC is a comprehensive course designed to train newly assigned [redacted] A&S Graduates [redacted] prior to assignment to operational units, prepared to deploy to satisfy the USAISA operational mission.

(U) 3. The unit structure provides for the extraordinary command and control maneuvers required to oversee the proper functioning of this unique

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Background. The ill-fated attempt in April, 1980 to secure by military force the release of 72 Americans held hostage in Teheran, Iran revealed institutional shortfalls in US national intelligence and special operations capabilities. At the time of the initial rescue attempt, there existed nowhere in the national capability an organization to provide this vital support.

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As the second effort matured, a formal force to conduct this intelligence operation, a combination of intelligence collection and operational support to a striking force, emerged in the form of the Field Operations Group (FOG). FOG was prepared and in place to support a second rescue attempt when the hostages were released. FOG did not, however, disappear with the disbandment of the Iranian rescue force. Bridging a crucial gap in national capabilities to execute [REDACTED] nationally directed missions, FOG's capability was institutionalized in a DoD special unit to establish a worldwide, immediately responsive capability similar to that developed over a one year period in the Terhan crisis. FOG was redesignated as the Intelligence Support Activity (ISA) in March 1981.

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Its charter, approved by the National Security Planning Group, the Director Central Intelligence Agency, the Adjutant General and issued by the Secretary of Defense in July 1983, outlined three broad missions and placed extraordinary controls on use of the unit. In the two years following its emergence as a permanently chartered element, the roles and missions of ISA have not been reexamined. This paper addresses that task.

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august 01, 1987

SAUDI ARABIA-IRAN: Rioting in Mecca

According to Saudi and Iranian press reports, Iranians attending the Hajj—the annual Muslim pilgrimage to Mecca—violently clashed with other pilgrims and Saudi security forces yesterday. Unconfirmed reports indicate at least 23 dead, an unknown number injured, and several cars burned. The Saudi Government has appealed for calm. Tehran is lodging a protest with Riyadh over the incident. [REDACTED]

[REDACTED] The Saudis would like to avoid further confrontation with Iranian pilgrims but remain determined to maintain order during the Hajj. [REDACTED]

APPROVED FOR RELEASE

MAR 1998

1

[REDACTED]

august 03, 1987

PERSIAN GULF:

[REDACTED]

NR

Aftermath of Mecca Rioting

Riyadh now reports 402 people killed, including 275 Iranian pilgrims, and 649 injured as a result of Friday's rioting in Mecca.

[REDACTED]

continued

APPROVED FOR RELEASE

MAR 1999

[REDACTED]

august 03, 1987

[REDACTED]

Iranian and Saudi Reaction

In a speech yesterday to commemorate the dead pilgrims, Iranian Assembly Speaker Rafsanjani said they had been murdered by Saudi Arabia acting under orders from the US. He said the US wanted to create a "tragedy" for Iran to compensate for the US failure to escort Kuwaiti tankers safely through the Gulf. Promising that Iran would take revenge for the deaths, Rafsanjani said Iran must uproot Saudi leaders from the region and send Americans to their death.

[REDACTED]

Rafsanjani's threat that Iran will work to overthrow the Saudi regime marks a significant escalation in Tehran's pressure on Riyadh to end its support for US intervention in the Gulf. Tehran, which probably orchestrated the riot, is trying to exploit the deaths to inflame Saudi Arabia's Shia minority to rebel against the Sunni leadership. Iran also is warning the Saudis they could face a campaign of Iranian-sponsored terrorism similar to that experienced by Kuwait.

[REDACTED]

[REDACTED]

august 04, 1987.

IRAN-
SAUDI ARABIA:

Aftermath of Mecca Riots

Tehran continues to threaten the US and Saudi Arabia over the Mecca riots.

[REDACTED]

A speech yesterday attributed to Ayatollah Khomeini reiterated that Iran intends to take revenge on Saudi Arabia and the US for the deaths of the Iranian pilgrims. Iranian President Khamenei said Iran will retaliate "in the Gulf." Tehran claims the Saudi police opened fire on Iranian pilgrims, killing more than 600 and injuring 4,500, and Ayatollah Montazeri has appealed to Muslims throughout the world to free Islam's holy shrine from Saudi rule.

The Saudi Ministry of Interior has issued a strong warning to Tehran that it will not tolerate behavior that endangers the security of holy places and has banned demonstrations by Iranian pilgrims.

[REDACTED] Saudi television has shown scenes of Iranian pilgrims attacking Saudi security personnel and is airing a special report on attempts Iran made during the pilgrimage last year to smuggle explosives into the Kingdom.

[REDACTED]

[REDACTED] Most moderate Arab leaders, while expressing concern over the violence, are supportive of the Saudi action, and Egypt has called for an urgent Islamic summit meeting. There has been no trouble among the Shia minority in Saudi Arabia's Eastern Province.

continued

APPROVED FOR RELEASE

MAR 1998

Pages: 2nd page

Exemptions: (b)(1), (b)(3)

4

[REDACTED]

august 27, 1987

**SAUDI ARABIA-
IRAN:**

Propaganda War Continues

The vitriolic war of words between the Saudis and the Iranians, which began after the Mecca rioting last month, continues unabated.

[REDACTED] the intense Saudi media campaign contains daily articles, photographs, and editorials condemning Iranian behavior. Earlier this week, in an unprecedented international press conference, Saudi Minister of Interior Prince Nayif accused Iran of masterminding the Mecca violence to embarrass the Saudi Government and said that Iranian pilgrims consistently abused Saudi hospitality and violated Islamic standards by staging political demonstrations during the pilgrimage.

[REDACTED]

Iranians officials continue to charge that Riyadh massacred hundreds of Muslim pilgrims and have accused King Fahd of being a US lackey, according to press reports. Ayatollah Khomeini on Sunday called the Saudis unfit guardians of the holy cities of Mecca and Medina.

[REDACTED]

APPROVED FOR RELEASE

✓ MAR 1998

④



Director of
Central
Intelligence

~~Secret~~

~~NOFORN-NOCONTRACT~~

Iran's Nuclear Program: Building a Weapons Capability (U)

Joint Atomic Energy
Intelligence Committee

~~Secret~~

February 1993

Copy 212


Pages: iv - viii

Exemptions: (b)(1) (b)(3)

Iran's Nuclear Program:
Building a Weapons
Capability (U)

The Program: Lofty Goals, Meager Beginnings

Iran's nuclear program effectively began with the purchase of a US-supplied, 5-megawatt-thermal (MWt) research reactor in the mid-1960s. The reactor was installed at the Tehran Nuclear Research Center, located adjacent to the University of Tehran. In the early 1970s, Shah Reza Pahlavi launched an ambitious program to bring nuclear power to Iran, with plans to construct 20 power reactors by the mid-1990s. Construction of the German-supplied, two-unit station at Bushehr began in 1975, and a contract was signed to build a French-supplied, two-unit station at Karun. A nuclear center was established at Esfahan to support industrial research for the nuclear power program. Iran also purchased a 10-percent share of the European enrichment consortium Eurodif to ensure enrichment services to these reactors. (U)



Pages: 2-10

Exemptions: (b)(1) + (b)(2)

~~SECRET~~ 361
~~NOFORN NOCONTRACT~~



Office of Near Eastern and
South Asian Analysis
Directorate of Intelligence

Iraq: Domestic Impact of the War

25 January 1991
Report #1

Highlights

[REDACTED] many key economic facilities in Iraq have suffered significant damage from coalition air attacks.

--About one-third of Iraq's 470,000-b/d oil refining capacity has been put out of operation.

--An estimated one-third of the country's electrical generating capacity and about 90 percent of Baghdad's generating capacity have been knocked out.

--Strategic and nonconventional weapons facilities have been the hardest hit of Iraq's defense industries. [REDACTED]

Daily life for residents of Baghdad and other areas hit by coalition attacks reportedly has become bleak.

--The regime halted the sale of gasoline and other petroleum products this week.

--Electricity and telephone service are unavailable in most parts of Baghdad, and water supplies there also have been disrupted, according to press reports.

--Food supplies reportedly are tightening. [REDACTED]

The weekly publication Iraq: Domestic Impact of Economic Sanctions has been discontinued. This is the first issue of a situation report assessing the impact of the war inside Iraq.

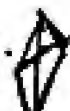
~~NOFORN NOCONTRACT~~ ①
~~SECRET~~

[REDACTED] many residents of the affluent sections of Baghdad fled to the north or to Shia holy cities of Najaf and Kerbala in the south before or during the early days of the coalition air attacks. In contrast, Iraqis in the poorer--probably Shia--sections of the capital are bunkering down and trying to cope. [REDACTED]

We do not have accurate figures for refugees or civilian casualties.

- Press reports indicate several thousand Iraqis already have fled to neighboring countries. Iran is now the only viable refuge, however, because of Iraq's closure of the Jordanian border to refugees this week, its complete closure of the Turkish border last week, and its closure of the Syrian border for years.
- The US Mission in Geneva reports the International Red Cross and Red Crescent Society are preparing shelter and supplies in neighboring countries for up to 300,000 displaced people.
- Iraq's ambassador to the UN claimed that 41 civilians had died and 191 had been wounded as of 22 January. [REDACTED], however, [REDACTED] neither Iraqi authorities nor civilian witnesses would verify this count. [REDACTED]

Political Climate

Reporting on the political climate in Iraq is fragmentary--the regime has restricted the movement of civilians and requires reporters to clear all news items with Iraqi censors--but the regime appears fully in control. There have been no credible reports of unrest since the war began. 

- According to Yugoslav press, Iraqi citizens in Baghdad are scared but not totally demoralized; they listen to authorities and are disciplined.

[REDACTED]
Iraqis remain steadfast in not voicing disagreement with the regime, especially to Westerners.

- Saddam has only his most loyal military and security personnel in Baghdad, reducing the threat of a military coup. The military forces in the capital are drawn from the elite Republican Guards. [REDACTED]

Baghdad continues to try to mobilize Arab support in the hope of weakening coalition resolve.

420³

~~SECRET~~

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED
1999

22 MAY 1967

MEMORANDUM FOR: Mr. Harold H. Saunders
National Security Council Staff
Room 5724
Executive Office Building

SUBJECT : Iran's Economic Relations with Communist
Countries

1. Attached is the paper which Mr. Eliot at State requested of us, and which I discussed with you on 26 April. The original has been dispatched to Mr. Eliot.

2. Because the paper was intended for use at the highest levels, we have included, on page 2, some intelligence which would have been omitted from a paper for general circulation. As you will note, we have asked Mr. Eliot to omit this material if the paper is seen by any but senior policy officials.

Director
Research and Reports

Attachment:
As stated.

~~SECRET~~

NOTE: On page 2, paragraph 3, 5th line:
the following was blocked out "at about one-
third the going selling price*" on copies
forwarded to: ONE; OCI;

~~SECRET~~

22 MAY 1967

MEMORANDUM FOR: Mr. Theodore L. Eliot, Jr.
Country Director for Iran
Bureau of Near Eastern and
South Asian Affairs
Department of State, Room 5252

SUBJECT: Iran's Economic Relations with Communist
Countries

1. Attached is the paper you requested on which action was assigned to this Office. A copy is being sent to Hal Saunders.
2. Because we were aware that the paper was intended for use at the highest levels, we have included a piece of information which would have been omitted from a paper for general circulation. I refer to the footnoted material on page 2, dealing with the price at which the Consortium is furnishing oil to the Shah. If the paper is shown to any but senior policy officials of the Government, this information should be deleted. With the deletion, the paper can be freely used within the limits imposed by its classification.
3. Please let us know if we can be of further assistance.

Director
Research and Reports

Attachment:
As stated.

~~SECRET~~



~~SECRET~~

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
20 May 1967

MEMORANDUM

Iran's Economic Relations with Communist Countries

Although Soviet motives are in part political, Iran's economic relations with the USSR and the Eastern European Communist countries reflect mutual economic interests, and are unlikely to threaten seriously Iran's predominately Western orientation.

In late 1962, the USSR abandoned its efforts to weaken Iran's ties with the West through propaganda and subversion, and began wooing Iran with offers of economic assistance. Since then, the USSR has extended economic credits to Iran totalling nearly \$350 million, and the Eastern European Communist countries have extended another \$150 million (see the table). The two principal credits have been:

(1) A Soviet credit for \$289 million, extended in January 1966. It helps finance a steel mill, a gas pipeline to the Soviet border, iron ore mines, coal mines, a heavy machinery plant, and water control projects. Repayment is to be in natural gas which is now flared and wasted; the gas will be carried by the proposed pipeline.

(2) A Rumanian credit for \$100 million extended in October 1965, which finances the shipment of Rumanian tractors and machinery. Repayment is to be in oil.

In April 1967, the USSR suggested to Iran that the delivery of gas in 1970 be at the rate originally planned for 1974 (10 billion cubic meters). The USSR also suggested that gas deliveries eventually be doubled; this would require an additional pipeline. No agreement has yet been reached on these suggestions.

Iran stands to gain considerably from the agreement with the USSR. The projects covered will contribute to Iran's economic development, and the pipeline will carry gas not only to the USSR but to localities in Iran as well. By 1985, Iran will have

~~SECRET~~

~~SECRET~~

accumulated from gas sales to the USSR some \$500 million more than the amount needed to pay off the Soviet credit. The steel mill, though a relatively high cost producer, will save Iran up to \$100 million a year in foreign exchange. At the same time, the Soviet credit does not cover the entire cost of the various projects. In addition to meeting local currency costs, Iran will have to borrow some \$300-400 million to meet foreign exchange costs.

The USSR will also benefit economically. Growing demand and dwindling local supplies in the Transcaucasus area make the import of 10 billion cubic meters per year from Iran attractive and convenient (under analogous circumstances, the US imports Canadian gas into the Pacific northwest). Most of the gas would be used locally, and any surplus would add only marginally to the overall Soviet supply. The suggestion that Iranian deliveries be doubled to 20 billion cubic meters is less easy to understand in terms of domestic Soviet requirements. Possibly the Soviets have in mind freeing some of their own gas for export.

The economic agreement with Rumania also promises to benefit both sides. The Shah has the right, under his agreement with the Western Consortium, to take crude oil at a discounted price in lieu of royalties. In December 1966, the Consortium agreed to furnish up to 20 million tons through 1971 [at about one-third the going selling price*] for sale only to Eastern European countries. Iran has agreed to ship Rumania 3.5 million tons of this oil over a three-year period. The price, though unknown, is almost certainly well above the discounted price to Iran. The goods to be procured with the oil are of acceptable quality, and, although we lack information, are presumably of greater value than those which could have been purchased elsewhere with the royalties foregone. For its part, Rumania has excess refining capacity, can export the additional refined products to Western and Eastern Europe, and has been trying to diversify its sources of supply for crude oil and other goods to strengthen its independence from the USSR.

To impress Americans, the Shah sometimes claims that he is "building bridges" to Eastern Europe. His motives, however, are primarily economic, leavened with a desire to show his independence. Nonetheless, his dealings with the Eastern European countries will help these countries at least marginally in efforts they may make to move away from Moscow.

In principle, any sales of Iranian oil in Eastern Europe would release equivalent amounts of Soviet oil for sale in the West, since the USSR has up to now been Eastern Europe's principal supplier. But the matter of displacement cannot be viewed so simply. The market

For all its complexity and dynamics, and the effect of displacement could be swamped by a host of other influences. The USSR itself has been showing some uneasiness about its future supply position, and its ability to meet the rapidly growing requirements of Eastern Europe for oil. Thus, the Soviet oil theoretically made available by Iranian sales to Eastern Europe would not necessarily displace Western oil in Western markets in a simple one-to-one fashion. Even if one-to-one displacement occurred, there would still be a net gain from the Shah's point of view, because Soviet sales in the West would be at the expense of all sellers and not of the Consortium alone.

The credits have had little effect as yet on Iran's trade with Communist countries, which has accounted for only 4 to 5 percent of Iran's total trade. (However, the Communist countries have been taking about one-fourth of Iran's non-oil exports). As the recent agreements are implemented, Iran's trade with Communist countries will increase very substantially. Shipments of natural gas to the USSR will begin at about \$40 million in 1970 and rise to some \$65 million by 1974. Deliveries of equipment under Soviet credits alone will probably average around \$100 million a year during 1968-70. Iran should have no difficulty in obtaining satisfactory imports from the USSR and from Eastern Europe.

Iran has not accepted Communist aid because of any pressing short-term need. While it is true that Iran now requires additional outside assistance to sustain its present rapid growth, it can obtain large credits from Western countries and financial institutions. The deals with the Communist countries, however, enable Iran to make additional investments while repaying in goods not saleable on Western markets.

The USSR is acquiring some influence and good will as a result of its economic agreements with Iran, but not decisive economic leverage. Over the longer term, Soviet-Iranian economic relations may grow, and this growth may bring greater influence. For example, the USSR is prospecting for offshore oil in the Caspian Sea under contract with Iran. If oil is found, it could most easily be shipped to the USSR, and Eastern Europe would be a possible market. But the bulk of Iran's oil must continue to be marketed in the West, and it is difficult to foresee a situation in which the USSR could acquire an economic stranglehold over Iran.

In one sense, the agreement between the USSR and Iran is a force for stability, because it results in interlocking mutual interests. The USSR knows that the successful completion of the capital projects to which it is a party will require that Iran spend a large amount of foreign exchange. Both the USSR and Iran know that the continued delivery of gas depends on the uninterrupted production of the oil with which the gas is associated. Finally, Iran knows that its balance of payments position, its access to Western credit, and its future economic health depend on its ability to market oil in the West.

~~SECRET~~corrected
copy - 23

Table 1

Soviet and East European Economic Aid Extended to Iran
1958-1967

	Million US \$						
	Total 1958- 1967	1958- 1962	1963	1964	1965	1966	1967
Total	<u>503.6</u>	<u>6.6</u>	<u>39.8</u>	<u>16.7</u>	<u>125.0</u>	<u>305.5</u>	<u>10.0</u>
USSR	<u>346.6</u>	<u>0.5</u>	<u>38.9</u>	<u>1.7</u>	<u>0.0</u>	<u>305.5</u>	<u>0.0</u>
Eastern Europe	<u>157.0</u>	<u>6.1</u>	<u>0.9</u>	<u>15.0</u>	<u>125.0</u>	<u>0.0</u>	<u>10.0</u>
Bulgaria	10.0						10.0
Czechoslovakia	15.0				15.0		
Hungary	10.0				10.0		
Poland	22.0	6.1	0.9	15.0			
Rumania	100.0				100.0		

~~SECRET~~

COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

STAFF REPORT

STATE DEPARTMENT AND INTELLIGENCE COMMUNITY INVOLVEMENT

IN DOMESTIC ACTIVITIES

RELATED TO THE IRAN/CONTRA AFFAIR

September 7, 1988

**STATE DEPARTMENT AND INTELLIGENCE COMMUNITY INVOLVEMENT
IN DOMESTIC ACTIVITIES
RELATED TO THE IRAN/CONTRA AFFAIR**

OVERVIEW

In March 1987, the staff of the Committee on Foreign Affairs issued a preliminary report of its investigation into the award of six contracts by the State Department's Office of Public Diplomacy for Latin America and the Caribbean (S/LPD) to International Business Communications (IBC) and its principal, Frank Gomez. The report raised a number of key questions, including:

Why was a noncompetitive \$276,000 State Department contract with IBC classified SECRET during the same time period that IBC was engaged in transferring monies to Lake Resources, an account controlled by Oliver North for the purpose of aiding the Contras? Were any of the State Department contract monies in fact used illegally to lobby Members of Congress? Was S/LPD engaged in prohibited propagandistic activities? Were State Department monies illegally diverted to aid the Contras?

Due to the difficulty the Committee staff encountered in its efforts to obtain relevant information from the State Department and to the fact that IBC had been involved in funneling money to secret Swiss Bank accounts, many answers to questions raised in the report were not immediately forthcoming. It was the Committee staff's opinion that

these pressing questions could only be properly reviewed by the Select Committee to Investigate Covert Arms Transactions with Iran. The Chairman of the Committee on Foreign Affairs, Rep. Dante Fascell, then forwarded all relevant documents in the Committee's possession to the Select Committee.

On March 31, 1987, Chairman Fascell and Rep. Jack Brooks, Chairman, Committee on Government Operations, issued a joint letter to the General Accounting Office (GAO) requesting it to conduct an investigation and render a legal opinion on the legality and propriety of certain activities of S/LPD. Two separate reports were subsequently prepared by GAO.

The first GAO report, issued 9/30/87, examined whether or not S/LPD had been involved in illegal lobbying and propaganda activities. The report concluded that S/LPD's activities involving the preparation and dissemination of certain types of information violated a restriction on the use of appropriated funds for publicity and propaganda purposes not authorized by the Congress. The report also noted that the available evidence did not support a conclusion that antilobbying statutes had been violated. (GAO auditors, however, informed Committee staff that documents in the possession of the Iran/Contra Select Committees, which were not made available to GAO until after its report had been issued, would have required GAO to reevaluate S/LPD's compliance with the anti-lobbying statutes.)

The second GAO report, issued 10/30/87, assessed the contracting activities of S/LPD. The report found that S/LPD generally did not follow federal regulations governing contractual procedures.

In addition to the GAO reports, the State Department's Office of

Inspector General (OIG) issued a report that examined the Department's contracts with International Business Communications (IBC) and Frank Gomez, one of its principals. The OIG's report concluded that many of the purchase orders and contracts awarded by S/LPD were questionable in the later periods as S/LPD's staff grew and gained experience; that the ~~acquisition~~ process for awarding and administering the purchase orders and contracts was mismanaged; that one contract was improperly classified SECRET, apparently to avoid competition and public disclosure; that some of the charges in the final contract between S/LPD and IBC were questionable; that violation of ethical standards and/or conflict of interest restrictions may have occurred in the case of two individuals; and that information provided by the Department to Congressional requesters was inaccurate, incomplete, and misleading. The OIG's report also recommended specific actions to remedy administrative problems identified in the report.

This final staff report on the activities of S/LPD serves both as a summary of the previously described reports on the Office of Public Diplomacy for Latin America and the Caribbean and as a description of how a relatively obscure office in the State Department played a central role in the creation and management of the private network involved in the Iran/Contra affair. It is the Committee staff's contention that a preponderance of documents obtained by the staff, as well as those released by the Select Committees, demonstrates that S/LPD was set up and managed by operatives in the National Security Council (NSC) who maintained close ties with Oliver North and former CIA Director Casey. The NSC staff succeeded in having Otto Reich named as the Director of the new Office Latin America of Public Diplomacy which reported directly

to the NSC. IBC's two principals--Richard R. Miller, former head of public affairs at AID, and Francis D. Gomez, former public affairs specialist at the State Department and USIA--were then hired by S/LPD through a series of sole source, no-bid contracts to carry out a variety of activities on behalf of the Administration's policies in Central America.

During the same period that it had been receiving payments from the State Department totalling in the hundreds of thousands of dollars, IBC also served as the conduit through which millions of dollars from the illegal sales of weapons to Iran were diverted for use by the Contras as well as other purposes. Also while under contract to the Office of Public Diplomacy, Miller and Gomez participated in activities designed to influence the media and public to support the President's Latin American policies, including sophisticated television ad campaigns that were targeted at Members of Congress who were not supportive of the President's Central America policy. Many of these activities by design were covert. Johnathan Miller, Ambassador Reich's Deputy at S/LPD (who later resigned from the White House staff when it was revealed that he had assisted Oliver North in cashing travellers checks for the Contras), for example, described Gomez as a "cut-out" who once made a clandestine trip in Central America and promoted media interviews and background briefings with representatives of the Democratic Resistance in Nicaragua on behalf of S/LPD, without acknowledgment of the State Department's role.

In the course of assisting the Contras with their public relations, Miller and Gomez were introduced to Oliver North and Contra fundraiser Carl "Spitz" Channell. Under the direction of North and with the

financial assistance of Channell, IBC quickly became a central player in the so-called "enterprise." IBC's role, in fact, was so highly valued that it was described by one White House official as "the White House outside the White House."

THE GAO ADDITS

Responding to a March 31, 1987, joint request issued by Chairmen Fascell and Brooks, the GAO released two separate reports on the activities of S/LPD. The first report issued by the Comptroller General on 9/30/87 concluded that S/LPD had "engaged in prohibited, covert activities designed to influence the media and the public to support the Administration's Latin American policies." The use of appropriated funds for these activities constituted "a violation of a restriction on the State Department annual appropriations prohibiting the use of federal funds for publicity or propaganda purposes."

GAO's conclusion centered on S/LPD's decision to use a university professor, John F. Guilmartin, Jr., an adjunct professor of history at Rice University, to write a newspaper article in support of the Administration's Central America policy without alerting readers or, apparently, the newspaper that Guilmartin had been a paid consultant to S/LPD.

The Guilmartin article was one of five "white propaganda" operations described in a March 13, 1985, memorandum from S/LPD to the Assistant to the President and Director of Communications. The confidential memorandum stated the following about the Guilmartin

article:

"Attached is a copy of an op-ed piece that ran two days ago in The Wall Street Journal. Professor Guilmartin has been a consultant to our office and collaborated with our staff in the writing of this piece. It is devastating in its analysis of the Nicaraguan arms build-up. Officially, this office had no role in its preparation."

Another item in the memorandum describes the use of a "cut-out" to arrange visits to various news media by a Nicaraguan opposition leader. Although the term is not defined, it appears to reflect an intention to hide the fact that the opposition leader's visits were being arranged by the Government.

Section 501 of the Departments of Commerce, Justice, State, the Judiciary, and Related Agencies Appropriations Act, 1985, states: "No part of an appropriation contained in the Act shall be used for publicity or propaganda purposes not authorized by the Congress." Although the legislative history of section 501 is silent as to the intended effect of the restriction, GAO has had numerous opportunities to interpret language similar to section 501 as prohibiting covert propaganda activities of an agency, which applies to the situation of Professor Guilmartin and visits of various Nicaraguan opposition leaders arranged by S/LPD.

The GAO report concludes that "the described activities are beyond the range of acceptable agency public information activities because the articles prepared in whole or part by S/LPD staff as the ostensible position of persons not associated with government and the media visits arranged by S/LPD were misleading as to their origin and reasonably

constituted 'propaganda' within the common understanding of that term."

On October 30, 1987, GAO issued a second report on the State Department's administration of certain public diplomacy contracts.

In its evaluation of LPD's use of contractors, GAO reviewed 25 contracts S/LPD entered into since the office was established. The contracts were valued at approximately \$263,000. Most of the contracts reviewed involved the submission of written products by individuals and, in some instances, companies.

The GAO audit found that S/LPD did not adhere to federal regulations governing contractual procedures. Specifically, the audit reached the following three conclusions:

1. The justifications to support the exclusive use of sole-source contracting by LPD were inadequate.
2. Various other procurement requirements were not adhered to in awarding contracts, such as encouraging competition, obtaining required contract officer approvals before engaging contractors, and, in one case, abiding by limitations on the salary paid to a retired military officer.
3. Many products were different from those contracted for with no evidence that agreement was reached on changes to contract specifications.

With respect to the issue of sole source contracting, the GAO study concluded that all 25 contracts under review did not meet federal requirements for sole source justification. The contracts contained no description of how the writers selected were unique and why no one else could perform the desired requirements; nor did the contracts contain

any description of efforts made to ascertain whether equally qualified writers were available. Under the requirements of The Competition in Contracting Act of 1984, both of these conditions must be fulfilled before a sole source contract can be awarded.

In general, GAO found little evidence that S/LPD had made any effort to locate other sources to compete on S/LPD contracts. Even a sole source procurement requires such an effort to help support the sole source justification. In the one instance where the Department's Procurement Office located a competitive source, S/LPD withdrew its requirement for these services before the potential contractor could be interviewed. At the time, these services were being provided by Mark Richards Associates, Inc., who had performed services for S/LPD under a series of sole source contracts since July 1984. Later in the year, however, S/LPD, in an about-face, requested the continued services of Mark Richards Associates, whose principal, Colonel Mark Richards, had extensive experience in military intelligence. In its request to renew Richard's contract, S/LPD cited "unusual and compelling urgency" as the basis to award a ~~sole source~~ procurement. S/LPD also added that "the character and sensitivity of the services precluded disclosure of the contractual arrangement to the public."

GAO also noted that Mark Richards, an S/LPD employee detailed from DOD and a soon-to-be-retired Air Force Colonel, would be subject to dual compensation limitations if employed as a consultant to S/LPD after his retirement from federal service. This would reduce his military retirement pay, which, according to Colonel Richards, was unacceptable. Accordingly, Colonel Richards incorporated himself, and the Department negotiated a sole-source contract with Mark Richards Associates for

media consultant services. This permitted him to continue working for S/LPD without a reduction in his retirement pay. Between July 1984 and February 1986, Mark Richards Associates received approximately \$136,000. This arrangement, however, circumvented two Office of Management and Budget (OMB) circulars that restrict the use of contracts to avoid salary limitations for former government employees.

Of the 25 contracts GAO reviewed, 16 specified one or more original written products (41 in all). Most of the contractor products GAO obtained, however, differed substantially from the contract scope of the work. According to S/LPD personnel, few were incorporated into S/LPD publications.

GAO's analysis was hampered by the lack of work products in S/LPD's files. Auditors were only able to obtain 28 of the 41 research papers. Of the 28 work products obtained by GAO, only 13 addressed the topic specified in the original scope of work. In the other cases, the product for which there was an "urgent need" was not produced; rather, a substitute topic was addressed.

REPORT OF THE STATE DEPARTMENT'S OFFICE OF INSPECTOR GENERAL

In response to a March 1987 request from the Secretary, the staff from the Office of Inspector General (OIG) examined the Department's contracts with International Business Communications (IBC) and Frank Gomez, one of its principals. The examination covered six purchase orders and contracts totalling approximately \$436,000 with IBC or Frank Gomez between February 1984 and September 1986. In July 1987, the OIG released its report containing the following findings:

1. Need for the Contracts—There was justification for the initial

purchase orders for outside assistance, during a temporary start-up situation in S/LPD early in 1984, but the practice continued through fiscal 1986, after the urgency and the original justification had passed.

2. The Acquisition Process—The practices followed in the procurements with Frank Gomez, IBC, and INSI (Institute for North South Issues, a non-profit foundation operated by Frank Gomez) were generally contrary to proper acquisition policies and procedures and failed to meet the fundamental requirements of the Federal Acquisition Regulation (FAR).

In certain instances, Frank Gomez and IBC only entered into formal contractual arrangements with the Department after S/LPD had directed IBC to begin the work. For example, an order awarded to IBC in the amount of \$24,400 was signed by the Department's contracting official almost one month after IBC was to have completed the work and almost four months after IBC had been directed to begin the work by S/LPD officials. The FAR clearly states that the contracting officer is responsible for the control of the contracting process and that contracts may be entered into only by contracting officers.

The OIG determined that all contracts awarded by the Department's procurement office to Mr. Gomez, IBC, and INSI were based on inadequate sole source justifications. In the final \$276,000 contract with IBC another feature of contracting was added—the Competition in Contracting Act of 1984 (CICA). At the time this contract was being considered by S/LPD officials, The FAR had been changed to include the CICA provisions. The Department's contracting officials brought the new FAR provisions to S/LPD's attention, including the new CICA requirements to publicize even proposed sole source awards. This contract was

classified SECRET by S/LPD officials, not publicized by the Department, and was eventually awarded on a sole source basis approximately 11 months after IBC began the work at S/LPD's direction. Moreover, IBC eventually received approximately \$240,000 dollars for its work on the contract, even after the fact that Robert Kagan, who succeeded Ambassador Reich as the Director of the Office of Public Diplomacy, requested in a May 28, 1986 memo to Executive Director Patrick Kennedy that the funds be deobligated.

Federal acquisition regulations require that all proposed contracts over the amount of \$10,000 be published in the Commerce Business Daily (CBD). None of the purchase orders of contracts over \$10,000 awarded to Mr. Gomez or IBC were publicized by the Department's contracting officials. In addition, purchase orders for Mr. Gomez and IBC were made on a fragmented basis, often for less than \$10,000, apparently to circumvent the acquisition requirements.

3. Reasonableness of Prices and Performance—The OIG's audit questioned some charges contained in the FY 1986 contract for \$276,000. Specifically, the report questioned the travel and ADP equipment costs charged by IBC. The OIG report indicated the IG's office would conduct a cost incurred audit at a future date. In December 1987, the OIG completed the audit and disapproved approximately \$84,000 in costs claimed by IBC under the contract. The OIG has recommended that the Department attempt to recover these funds from IBC. To date, the funds have not been recovered.

On September 10, 1984, the Foreign Service Institute (M/FSI) placed a training order for \$16,198 with IBC. The training order required IBC to conduct seminars in El Salvador on improving press relations for El

Salvadoran military officials in late August and early September of 1984. The use on an M/FSI training order to obtain the services of IBC appeared to be inconsistent with the principles that generally apply to M/FSI training orders. Normally, M/FSI arranges for training for State Department employees that is job related. The training order with IBC involved training for foreign officials and was conducted by a private company in a foreign country. Moreover, the OIG discovered in its discussions with IBC officials that the training seminar never took place; instead, individual counseling took place with 20 to 25 individuals. The OIG has recommended that action be taken to recover the funds from IBC since the seminar never took place. To date, the funds have not been recovered.

4. Ethical/Conflict of Interest Considerations—The OIG determined that Daniel Jake Jacobowitz, a Department of Defense intelligence specialist detailed to S/LPD from June 1984 to June 1986, may have violated federal ethical standards by introducing his sister, Fran Jacobowitz, who was a specialist in establishing and operating mail distribution systems, to the head of S/LPD and to Frank Gomez of IBC. S/LPD subsequently contracted with the Institute for North South Issues (INSI) and IBC for analysis, design, and operation of a mail distribution system. The sister was hired by IBC to direct the work under such contracts. The OIG referred the matter to the DOD Inspector General, who, after investigating the incident, determined that Jacobowitz had violated employee standards of ethical conduct. A letter of reprimand was placed in Jacobowitz's personnel file.

Prior to being employed by S/LPD, Frank Gomez was employed as the Director of Foreign Press Centers for USIA. He retired from that agency

on February 14, 1984 and the performance date for the work called for by the purchase order with S/LPD was February 14, 1984 through May 31, 1984.

Documents contained in the S/LPD files indicate that, while he was employed by USIA, Frank Gomez established the Institute for North-South Issues and negotiated with USIA and the State Department for contract work after he retired. The same purchase order was also negotiated with S/LPD while he was employed by USIA.

The OIG referred this matter to the USIA IG on May 15, 1987 to determine whether any conflict of interest laws or regulations were violated. To date, the USIA IG has not initiated any action.

5. Congressional and Press Guidance—The OIG determined that a small but important portion of information provided to Congressional requesters and as press guidance was either inaccurate, incomplete, or potentially misleading. In addition, the OIG concluded that the Department's responsiveness to requests for information by members of Congress and their staffs had been slow and fragmented.

6. Classification of the FY 1986 Contract—S/LPD classified its final \$276,000 contract with IBC as SECRET, contending to officials that it contained sensitive information of a national security nature. However, the contract was virtually a continuation of an unclassified FY 1985 contract, except for the addition of an unclassified document distribution system. The OIG's report concluded that "there was nothing of a national security or even a sensitive nature in the contract. In our opinion, the real reason for classification was to avoid publication in the CBD and possible challenges to the sole source contractual relationship with IBC."

The OIG's report also contains a number of specific recommendations relating to the Department's award and administration of contracts. All of these recommendations, including those recommendations to recoup monies from IBC, have been accepted by the Department. In addition to these recommendations, it is the Committee staff's understanding that the OIG has referred S/LPD Director Otto Reich's name to the Department's personnel office for possible disciplinary action. To date, the office has not taken any action.

THE IRAN/CONTRA INVESTIGATION

For the duration of the Congressional investigation of the Iran/Contra affair, the Committee staff continued its investigation of the activities of S/LPD. In its review of the evidence, it became apparent to the Committee staff that S/LPD's activities were not coordinated within the State Department but by a high level interagency group established by the NSC. As the final report of the Congressional Committees investigating the Iran/Contra affair points out, Walt Raymond, the principal NSC staff officer in charge of monitoring S/LPD

"... was a former senior CIA official, with experience in covert operations, who had been detailed to the NSC staff for a year with Casey's approval, and who upon retirement from the CIA became a Special Assistant to the President with responsibility for public diplomacy affairs."

Once at the NSC, Raymond helped set up a system of inter-agency committees, including a working group on Central American Public Diplomacy. The NSC staff also succeeded in having Otto Reich named as the Director of the new Office of Public Diplomacy (S/LPD), which

reported directly to the NSC. Francis D. Gomez, former public affairs specialist at the State Department and USIA, was hired by S/LPD through a series of sole source, no-bid contracts to carry out a variety of the Reagan Administration policies in Central America. Gomez and his business partner, Richard Miller, former head of public affairs at AID, then formed International Business Communications (IBC), a public relations firm, which also received a number of State Department contracts.

Supported by the State Department and White House, Miller and Gomez became the outside managers of Carl Spitz Channell's fund-raising and lobbying activities. They also served as the managers of Central American political figures, defectors, Nicaraguan opposition leaders and Sandinista atrocity victims who were made available to the press, the Congress and private groups, to tell the story of the Contra cause. They facilitated the transfer of funds raised by Channell and others to Swiss and offshore bank accounts at the direction of Oliver North. They became the key link between the State Department and the Reagan White House with the private groups and individuals engaged in a myriad of endeavors aimed at influencing the Congress, the media and public opinion. They also became the main funnel for private U.S. money going to the Democratic resistance in Nicaragua.

What follows is a description of how an outside private network of individuals was established that, with the guidance of senior White House officials, provided financial and political support for the Contra cause. S/LPD, a relatively obscure office in the State Department, played a pivotal role in maintaining and nurturing this private network, which played a central role in the larger Iran-Contra affair. (All

information in the following section is taken from public sources and published declassified transcripts and records of the Iran-Contra Committees.)

S/LPD AND THE PRIVATE NETWORK

Walt Raymond, a senior career CIA official and propaganda expert, was approached by Donald Gregg, Chief of the Intelligence Directorate at the NSC, and informed that Gregg was recommending to CIA Director Casey and NSC Advisor William Clark that he be assigned to the NSC as Gregg's successor when Gregg departed to join the staff of Vice-President George Bush. Raymond discussed the transfer with Casey, Clark, and McFarlane and received approval for his involvement in setting up the public diplomacy program along with his intelligence responsibilities. Accordingly, he was transferred from CIA headquarters to the NSC in June of 1982.

In the early part of 1983, documents obtained by the Select Committees, and later released in unclassified form, indicate that Walt Raymond, who had succeeded Gregg as the Director of the Intelligence Staff of the NSC, successfully recommended the establishment of an inter-governmental network to promote and manage a public diplomacy plan designed to create support for Reagan Administration policies at home and abroad. Their initial efforts were directed toward involving private groups and individuals in a campaign to influence American and European public opinion on Intermediate Nuclear Force (INF) deployment in Europe.

In the Spring of 1983, the network began to turn its attention toward beefing up the Administration's capacity to promote American support for the Democratic resistance in Nicaragua and the fledgling

democracy in El Salvador. This effort resulted in the creation of the Office of Public Diplomacy for Latin America and the Caribbean in the Department of State (S/LPD), headed by Otto Reich.

On May 25, 1983, Secretary of State George P. Shultz, in an effort to head off the creation of S/LPD, wrote a memorandum to the President asking for the establishment of "simple and straightforward management procedures." The memorandum to the President followed a discussion between the President and Shultz earlier in the day.

In the memo Shultz said:

" . . . Therefore, what we discussed was that you will look to me to carry out your policies. If those policies change, you will tell me. If I am not carrying them out effectively, you will hold me accountable. But we will set up a structure so that I can be your sole delegate with regard to carrying out your policies.

" . . . What this means is that there will be an Assistant Secretary acceptable to you (and you and I have agreed on Tony Motley) who will report to me and through me to you. We will use Dick Stone as our negotiator, who, in conjunction with Tony, will also report solely to me and through me to you. Similarly, there will be an inter-agency committee, but it will be a tool of management and not a decision-making body. I shall resolve any issues and report to you."

The President responded with a memorandum, which stated in part:

"Success in Central America will require the cooperative effort of several Departments and agencies. No single agency can do it alone nor should it. Still, it is sensible to look to you, as I do, as the lead Cabinet officer, charged with moving aggressively to

develop the options in coordination with Cap, Bill Casey and others and coming to me for decisions. I believe in Cabinet government. It works when the Cabinet officers work together. I look to you and Bill Clark to assure that happens."

Attached to the memo was a chart placing the NSC between the Secretary of State and the President for the management of Central American strategy. Shultz had not only lost the battle to prevent the establishment of the office, he also accepted the NSC-sponsored candidate to run the office, and accepted the fact that Reich would report directly to the NSC and not through the Assistant Secretary of State for Inter-American Affairs.

Almost simultaneously with the creation of S/LPD, Walter Raymond, Jr. was named to a new position as Special Assistant to the President and Director of International Communications at the NSC. From that time forward, S/LPD reported to Raymond and his working group on Central American Public Diplomacy at the NSC. The group was composed of representatives of USIA, the CIA and DOD, as well as various NSC staffers, including Oliver North. At least for several months after he assumed this position, Raymond also worked on intelligence matters at the NSC, including drafting a Presidential Finding for Covert Action in Nicaragua in mid-September.

Reich relied heavily on Raymond to secure personnel transfers from other government agencies to beef up the limited resources made available to S/LPD by the Department of State. The NSC also intervened on behalf of S/LPD with top management officials in the State Department to expand Reich's resources within the Department. Personnel made available to the new office included intelligence specialists from the

U.S. Air Force and the U.S. Army. On one occasion, five intelligence experts from the Army's 4th Psychological Operations Group at Fort Bragg, North Carolina, were assigned to work with Reich's fast-growing operation.

White House documents also indicate that CIA Director Casey had more than a passing interest in the Central American public diplomacy campaign. In an August 9, 1983 Memorandum entitled "Private Sector Support for Central American Program," Raymond told Clark:

"A group of public relations specialists met with Bill Casey a few days ago. Faith also met them. The group included Bill Greener, the public affairs head at Philip Morris, and two or three others. They 'stated' what needed to be done to generate a nationwide campaign. Several elements were identified. The first, a fund-raising effort under the direction of someone like Walter Wriston. Secondly, an effective communications system inside the Government. The overall purpose would be to sell a 'new product' — Central America — by generating interest across-the-spectrum."

In an August 29, 1983 memorandum from Raymond to Poindexter, Casey's continuing interest in the effort to influence public opinion was shown by the following reference:

"Bill Casey called on August 26 and would like to follow-up on his idea to have a meeting with five or six key public relations specialists. This is referred to in my earlier memorandum. I put him off until after Labor Day."

". . . When I philosophized a bit with Bill Casey (in an effort to get him out of the loop), he was negative about turning the ball over to State, but very positive about someone like Gil Robinson

working on the problem from within State."

Casey was obviously concerned that the establishment of S/LPD in the State Department might put it beyond NSC control. Casey's involvement in the public diplomacy effort apparently continued throughout the period under investigation by the Committees.

On March 20, 1985, Oliver North sent a memorandum to National Security Advisor Robert McFarlane on the subject, "Timing and the Nicaraguan Resistance Vote." Attached to the memo was a chronological event checklist which outlined efforts "aimed at securing Congressional approval for renewed support to the Nicaraguan Resistance Forces." Responsibility for the various efforts was tasked to a number of individuals in the NSC and Department of State as well as private supporters including former Congressman Dan Kuykendall and State Department contract consultant Frank Gomez. In the cover memo seeking a decision from Don Regan that would trigger some of the private group efforts, North wrote:

"You should also be aware that Director Casey has sent a personal note to Don Regan on the timing matter. We are attempting to obtain a copy for your use."

As late as August of 1986, Walt Raymond prepared a memorandum for Poindexter's signature to Bill Casey on the subject of Central American Public Diplomacy. The memo reported on a new structure in the State Department which moved LPD from the Secretary's Office to the Bureau of Inter-American Affairs. In the cover memo to Poindexter, Raymond indicated his desire to have Peter Dailey, who had been U.S. Ambassador to Ireland and had managed the public diplomacy initiative on INF deployment in Europe, "work closely with Bob Kagan, the Interagency

Central American Public Diplomacy coordinator, and to help coordinate private sector activities such as funding that currently cannot be done by either CIA or State."

On August 22, 1986, Casey responded to the Poindexter memo indicating that he (Casey) had just:

"... brought Pete Dailey on board as Counselor to the Director of Central Intelligence. As a CIA employee, naturally, Pete is subject to the legal prohibitions on us relating to activities intending to influence U.S. public opinion or policy. Any advisory role that he plays on the public diplomacy front must, of course, be in accordance with these legal restrictions.

"Similarly, now that Pete has joined us, he obviously can have no role in any private fund-raising effort on behalf of the Nicaraguan Resistance."

Curiously, the letter to Poindexter was apparently not sent to Poindexter but to Walt Raymond because, on August 29, 1986, Raymond forwarded the letter to Poindexter with a cover memo which said:

"Bill Casey has sent a brief note to you which puts some caveats around the activities Peter Dailey can undertake. Peter has talked to me, and I do not believe that this will cause him any difficulties in helping us along the lines of our previous exchanges via the PROFS system."

On August 26, 1986, Raymond sent a PROF note to Poindexter on the subject of "Central America Public Diplomacy." The PROF note said, in part:

"As a follow-up, Peter Dailey invited me to breakfast. I thought the memo was excellent but he did not feel that it totally filled

the bill. What he thought was missing was the immediacy of the problem from the American domestic perspective. He believes that we are operating with a relatively narrow window in which to turn around American perceptions re Contras — and particularly Nic — or we will be chewed up by Congress. We discussed the obvious, which is part of our strategy, including such things as: the need to convince people of the key importance of Contras to our national security; the need to glue white hats on our team, etc. The themes are those we have pressed although he believes we could change the dialogue away from Contras to democrats; emphasize the need for a free and open vote, etc. Nothing really new here. The key difference is that he thinks we should run it more like a political/presidential campaign. We need to strengthen our ability to reach out. Names like Rollins, Nofziger and co. were thrown around as the kinds of resources one needs to tap.

"Later, in talking to Ollie and Bob Kagan, we focussed on what is missing and that is a well-funded, independent outside group — remember the Committee for the Present Danger — that could mobilize people. Peter suggested 10 or 12 very prominent bipartisan Americans. Added to this would need to be a key action officer and a 501-c-3 tax-exempt structure. It is totally understanding that such a structure is needed and also totally understanding why, for discreet political reasons, it was not included in the memo to Bill Casey. I told Pete he was right but we need 'a horse' and money!"

As late as November 10, 1986, Raymond sent another PROF note to Poindexter on the subject of "Cent Am Private Sector Initiative," which stated:

"There have been several meetings following up on the effort to get a major, bipartisan group formed to help promote an 'educational' program in the U.S. which would help provide understanding (and support) for our Centam policy, particularly vis-a-vis Nicaragua.

"Although Pete Dailey, Bill Casey and Clif White have all been involved in general discussion of what needs to be done, we are going to have to be sure that Pete and Bill are not involved. Pete is getting very nervous on this item. Hence, Clif is now taking the lead. The current focus is to get a bipartisan co-chairmanship, a six man (roughly) EXCOM, a staff director and a large bipartisan advisory council. Current names being tossed around for the co-chair include Jack Gavin, Bill Rogers, Dean Rusk and Mark White. Pete (and Ollie) favor going with Gavin. Clif is also talking to several key democratic activist types for their recommendations. Jim Woolsey's name has come up in that context. Clif has the list of several effective operators who have just finished the fall campaign (plus some soon-to-be ex-staffers on the Hill) who might be a good EXDIR. Dave Miller has also been helpful, particularly in terms of getting the 501-c-3 status and access to fresh faces in the political consultant field. Clif has (or will) be seeking names from Mitch Daniels too.

"The problem with all of this is that to make it work it really has to be one step removed from our office and, as a result, we have to rely on others to get the job done. Will keep you posted."

From early 1983 until November of 1986, the NSC staff, with the backing of Bill Casey and support from National Security Advisors Bill

Clark, Bud McFarlane and John Poindexter, and with continuing help from Oliver North, created an inter-governmental structure the purposes and activities of which were masked from Congress and public view. The NSC and S/LPD, operating under the cover of the State Department, hired outside consultants and gave encouragement, support and direction to groups of private citizens outside the government. These groups raised money for Contra weapons, lobbied the Congress, ran sophisticated media campaigns in targeted Congressional districts, and worked with S/LPD to influence American public opinion through manipulation of the American press. In the latter half of 1986, Raymond was attempting to set up a private group with more prestige and greater clout than the Rich Miller/Spitz Channell network that had been quickly assembled and utilized to work on the 1986 Contra aid vote in the Congress.

While donations from other countries and profits from the Iran arms sales provided most of the money for lethal assistance to the Contras after the Boland Amendment, a network of private foundations and organizations, including those associated with Carl R. "Spitz" Channell and Richard R. Miller, also played an essential role. Channell's principal organization, the tax-exempt National Endowment for the Preservation of Liberty (NEPL), used White House briefings and private meetings with the President to raise more than \$10,000,000 from private contributors, almost all for the Contra cause. Over half of this total came from two elderly widows — Barbara Newington and Ellen Garwood — who made the bulk of their contributions after receiving private and emotional presentations by Oliver North on the Contras' cause and military needs. One dozen contributors accounted for ninety percent of NEPL's funds in 1985 and 1986.

Richard Miller's principal organization, International Business Communication (IBC), was a partnership between Miller and Frank Gomez, which began to work on behalf of the Contras under a State Department contract that began in early 1984. From early 1984 until the Summer of 1985, IBC's principal source of income was derived from a series of State Department sole-source, no-bid contracts pushed through the bureaucracy by the principal officials of S/LPD.

The first State Department contract for IBC began in February 1984, shortly after S/LPD had begun its work. Miller and Gomez were introduced to Oliver North in mid-1984 by State Department officials from S/LPD. From that period forward, Miller and Gomez worked closely with North as well as the Office of Public Diplomacy in carrying out a variety of assignments related to the promotion of the Contra cause.

In the Spring of 1985, White House Deputy Political Director John Roberts sent Spitz Channell and his Deputy, Dan Conrad, to meet with Miller and Gomez, who, Roberts believed, could best advise them how to utilize their fund-raising services on behalf of the Contra cause. Roberts was so confident in IBC's connections to the Administration that he described it as the "White House outside the White House." Miller and Gomez assisted Channell in his fund-raising efforts and advised Channell on the disbursement of the proceeds for various projects including lobbying, television ads, newspaper ads and grassroots activities designed to influence Congressional votes on aid to the Contras.

Congressman Mike Barnes, whose Congressional district adjoins Washington, D.C. and who was Chairman of the House Foreign Affairs Subcommittee on Western Hemisphere Affairs, was a special recipient of

television ads financed by Channell. Heavy television advertising was directed against Barnes even though the sponsors knew that there was no chance they could change his mind or his vote. They felt, however, that since these ads were scheduled to run in the Washington media market, they would be seen by all Members of Congress and serve as a warning. The Washington television campaign was supplemented by ad campaigns in selectively targeted Congressional districts. The entire effort, although paid for by Spitz Channell and his contributors, was actually managed by Rich Miller and others, including Dan Kuykendall and Penn Kemble.

Of the \$10,000,000 that was raised, nearly two million dollars was spent for public relations, political advertising and lobbying. Much of the rest was retained by Miller and Channell for salaries, fees and expenses incurred by their organizations. The NEPL money that was spent for direct and indirect assistance to the Contras was disbursed, primarily by Miller, at the direction of North. Approximately \$1.7 million was "washed" by Channell through Miller's domestic and Cayman Island entities — International Business Communications (IBC) and I.C., Inc. — to the Enterprise, where it was commingled with funds from third country contributions and the Iranian arms sale. Another one million dollars was passed at the direction of North through Miller's entities to accounts controlled by Adolfo Calero. Approximately \$500,000 was distributed at North's request to other persons and entities engaged in activities relating to the Contras, including Rob Owen, Dan Kuykendall, Thomas Dowling, the Washington UNO Office and some unidentified entities.

Friends of the Democratic Center in Central America (PRODEMCA),

which concentrated on Central American issues, was another organization that had close financial and personal ties to Channell and Miller. Penn Kemble, the President of PRODEMCA, was involved in a broad array of activities related to Spitz Channell's Central American Freedom Program and the Reagan Administration's efforts on behalf of the Contras. Kemble initially recommended to Miller and Gomez that Bruce Cameron be hired as a lobbyist for PRODEMCA. The relationship, however, was eventually accomplished by Kemble and Cameron taking over Rob Owens' organization, the Institute for Democracy and Education in America (IDEA), changing its name to Center for Democracy in the Americas (CDA), and readjusting the board of directors to include Kemble as Chairman and Cameron as President.

Kemble was also one of the principals in the Institute for Religion and Democracy, which worked with Otto Reich's S/LPD office in the State Department and received some minimal funds from IBC. At the PRODEMCA offices, Kemble hosted legislative strategy sessions, in at least one of which State Department official Robert Kagan was a participant, prior to the 1986 Congressional votes on Contra aid.

In the summer of 1985, Oliver North, with the assistance of Richard Miller and Frank Gomez, enlisted the services of Roy Godson and the Heritage Foundation in his successful effort to transfer money indirectly to Miller's Cayman Island bank account. North initially asked Roy Godson, a consultant to the NSC, a member of the President's Foreign Intelligence Advisory Board, and the Director of the Washington Office of the National Strategy Information Center (an organization founded by William Casey and with extensive ties to the intelligence community), to raise money to be spent in Nicaragua. Godson later met

with Miller, who suggested two alternative routes for contributions: donations to the Institute for North-South Issues (INSI), a tax-exempt organization controlled by Miller's partner, Frank Gomez; or money transfers directly to Miller's Cayman Islands bank account.

Godson turned for assistance to Clyde Slease of Pittsburgh, counsel to Richard Mellon Scaife and several Mellon family foundations. At the request of Slease, Godson arranged for a meeting with North and Robert McFarlane in the Situation Room of the White House. Slease agreed to try to raise \$400,000 for North's project. Slease then persuaded an acquaintance in Pittsburgh, John Donahue, to donate \$100,000, and they settled on designating the Heritage Foundation as the recipient of the donation.

A September 12, 1985 letter from Richard Miller to Edwin Fuelner, Director of the Heritage Foundation, indicates that Donahue's \$100,000 grant to the Heritage Foundation was then awarded to INSI in the form of a grant for, according to Miller's letter, "the purpose of disseminating in Central America materials designed to educate the public on U.S. policy objectives." No such materials, however, were ever produced by INSI. Instead, Miller instructed INSI, after Heritage awarded it the \$100,000, to transfer \$80,000 of the grant to his Cayman Islands account from which funds were withdrawn as directed by North. INSI retained a twenty percent administrative fee for its distribution of the grant, which, according to Miller, was the standard fee North had recommended him to take. Donahue was never informed that INSI would be the recipient of his grant nor that the money would eventually find its way into Miller's Cayman Island account or North's Lake Resources account.

The grant to INSI via Heritage is one example of the elaborate

efforts Channell and Miller made to conceal the nature of their fund-raising activities and North's role. Certain funds received by NEPL for Contra assistance were allocated on Channell's books to a project denominated "Toys," a euphemism for weapons. NEPL and IBC employees were instructed to refer to North by a code name, "Green." Funds were transferred to the Contras, not directly—which would be traceable—but through Miller's anonymous offshore entity, I.C., Inc.

North misrepresented to several White House officials the nature of the network's fund-raising activities. For instance, the President apparently was led to believe that the funds were being raised for political advertising; the President's Chief of Staff, Donald Regan, was deliberately kept in the dark by North and Poindexter; and North misrepresented to Congress and White House personnel the nature of his involvement in the activities of NEPL and IBC. As a result, the Miller/Channell network was able to operate successfully until the latter part of 1986, when increased government aid to the Contras and public disclosure of both the Iranian arms sales and the Contra resupply network made further assistance efforts unnecessary and unwise.

By using a tax-exempt organization to funnel money to the Contras—for arms and other purposes—Channell and Miller provided tax deductions to donors. As a result, the United States Government effectively subsidized a portion of the contributions intended for lethal aid to the Contras. In the Spring of 1987, Channell and Miller pled guilty to criminal tax charges of conspiring to defraud "the United States Treasury of revenues to which it was entitled by subverting and corrupting the lawful purpose of NEPL by using NEPL...to solicit contributions to purchase military and other non-humanitarian aid for

the Contras." At his plea hearing, Channell identified Miller and North as his coconspirators.

CONCLUSIONS

This report, as well as the documents and testimony upon which it is based, indicates that senior CIA officials with backgrounds in covert operations, as well as military intelligence and psychological operations specialists from the Department of Defense, were deeply involved in establishing and participating in a domestic political and propaganda operation run through an obscure bureau in the Department of State which reported directly to the National Security Council rather than through the normal State Department channels.

The NSC working group on Central American Public Diplomacy was run by a former senior CIA propaganda specialist and included representatives of the CIA, the Department of Defense and the USIA as well as various NSC staff, including Oliver North. Former CIA Director William Casey approved of the operation and was kept informed of its activities throughout its existence. Donald Gregg, a former high-ranking CIA official who is presently the National Security Advisor to Vice President Bush, initiated the recommendation which led to the assignment of the senior CIA covert operative to the NSC. That official, Walter Raymond, Jr., was responsible for the establishment of the S/LPD mechanism at the State Department, even over the objections and resistance of Secretary of State George Shultz. Raymond also ran the Central American Working Group on Public Diplomacy at the NSC to which S/LPD reported. He was instrumental in facilitating the assignment of intelligence personnel from the Department of Defense to

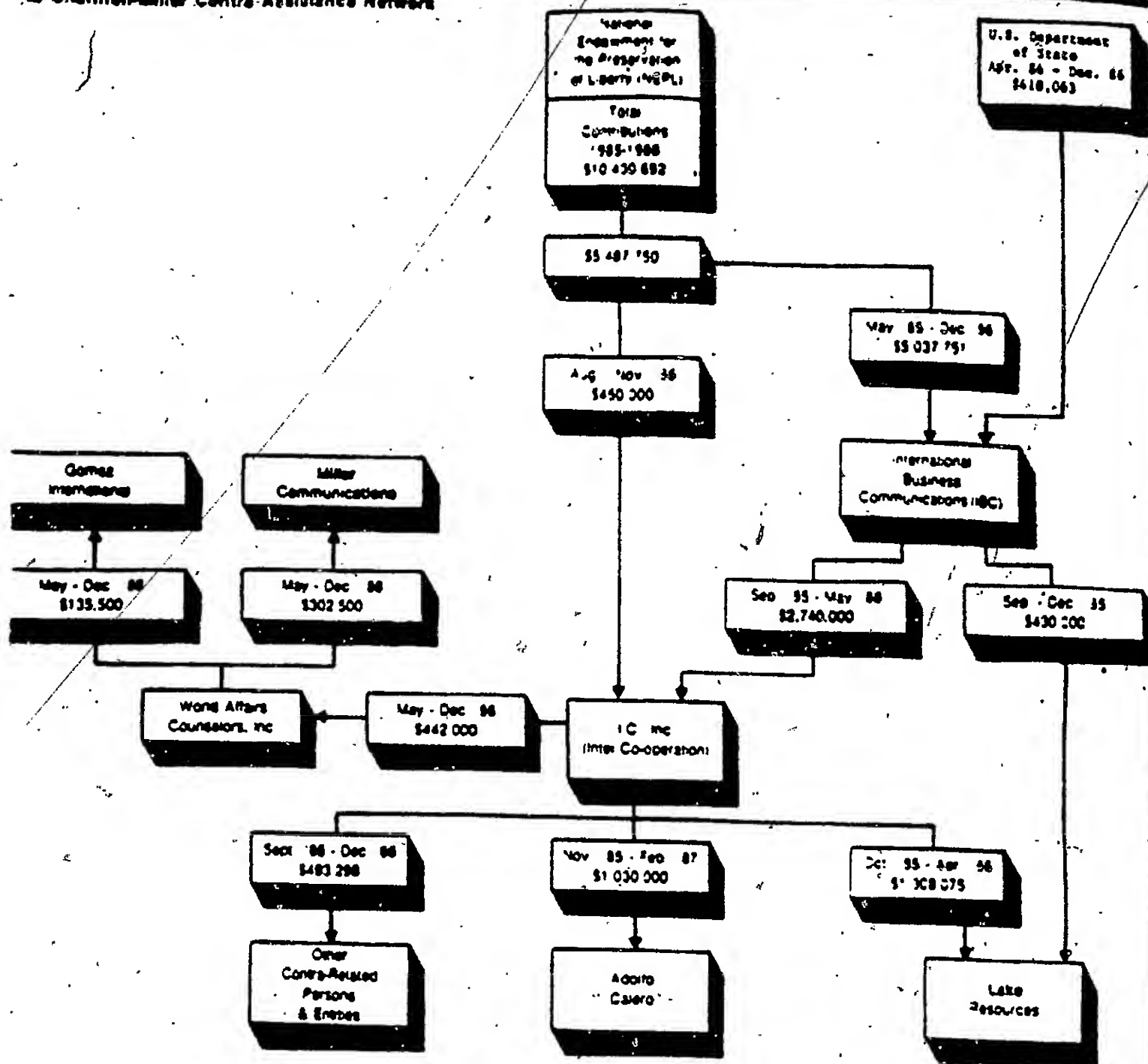
S/LPD and the expansion of State Department resources available to S/LPD despite objections to, and initial denials of, such requests by senior officials at the Departments of Defense and State. Through irregular sole-source, no-bid contracts, S/LPD established and sustained a private network of individuals and organizations whose activities were coordinated with, and sometimes directed by, Col. Oliver North as well as officials of the NSC and S/LPD. These private individuals and organizations raised and spent funds for the purpose of influencing Congressional votes and U.S. domestic news media. This network raised and funneled money to off-shore bank accounts in the Cayman Islands or to the secret Lake Resources bank account in Switzerland for disbursement at the direction of Oliver North.

Almost all of these activities were hidden from public view and many of the key individuals involved were never questioned or interviewed by the Iran/Contra Committees. Relevant documents discovered in S/LPD's files by the GAO were never provided to the Iran/Contra Committees nor the Foreign Affairs Committee despite repeated requests. The State Department Office of Personnel has, for over a year, refused to act on a recommendation by the State Department Inspector General that the former head of S/LPD be subjected to disciplinary action. A recommendation to the Inspector General of USIA that certain matters related to these activities be investigated has apparently been ignored or inexplicably delayed. Key officials of the NSC and S/LPD, who were responsible for many of these improper activities, have been promoted or transferred to senior positions in the U.S. Government.

A subsequent investigation may be necessary to determine the extent to which the Department of State was used, and perhaps compromised, by

the CIA and the NSC to establish, sustain and manage a domestic covert operation designed to lobby the Congress, manipulate the media and influence domestic public opinion.

to Channel-Miller Centre Assistance Network



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Moscow's Tilt Toward Baghdad: The USSR and the War Between Iran and Iraq

An Intelligence Assessment

Warning Notice

Intelligence Sources
or Methods Involved
(WNINTEL)

National Security
Information

Unauthorized Disclosure
Subject to Criminal Sanctions

Dissemination Control
Abbreviations

NOFORN (NF)	Not releasable to foreign nationals
NOCONTRACT (NC)	Not releasable to contractors or contractor/companies
PROPIN (PR)	Cautious—proprietary information involved
ORCON (OC)	Dissemination and extraction of information controlled by originator
REL	This information has been authorized for release to...
FGI	Foreign government information
WN	WNINTEL—Intelligence sources or methods involved

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Moscow's Tilt Toward Baghdad: The USSR and the War Between Iran and Iraq

An Intelligence Assessment


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Key Judgments

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The USSR has altered its policies toward Iran and Iraq in Baghdad's favor during the past year and a half. In spring 1982 Moscow began a major effort to improve ties with Iraq, emphasizing closer military cooperation—particularly arms sales and deliveries. In 1982, for example, the number of Soviet seaborne arms deliveries to Iraq tripled. 

 The USSR also has supported Baghdad's call for a negotiated settlement of the war between Iran and Iraq. Relations have improved to the point where Soviet and Iraqi leaders have recently made laudatory public statements about bilateral ties.

During the same period, Soviet-Iranian relations have steadily deteriorated to their lowest level since the Shah's reign. The most telling indicators of this decline are Tehran's recent abolition of the Tudeh (Iran's Communist party) and expulsion of Soviet officials from Iran and Moscow's counter-expulsion of Iranian officials.

Moscow's tilt toward Baghdad is a marked departure from its policy of trying to maintain stable relations with the two while probing for better ties with Iran. At the outset of the war in September 1980, the Soviets thought they saw an opportunity to make some gains in Tehran. Their embargo of arms deliveries to both countries benefited Iran because Iraq had been receiving considerably more arms. The Kremlin coupled this with a renewed effort to improve political ties with Tehran. When the gambit produced no immediate results, the Soviets in spring 1981 lifted the embargo but refused to conclude any new arms deals.

In the spring of 1982, however, Moscow began to take steps that eventually amounted to a clear tilt toward Baghdad. The Soviet move stemmed from various factors:

- Iran's major battlefield victories in late 1981 and the first half of 1982 temporarily disadvantaged Iraq. The Soviets may have believed at that time that if they did not aid Baghdad, Iraq might decide it had no choice but to accelerate its turn toward Western Europe, China, and even the United States.
- The USSR feared that an Iranian victory would lead to the spread of Khomeini's type of Islamic fundamentalism near its southern border.

- The risk that a Soviet tilt toward Iraq would impel Iran to turn back toward the United States seemed much lower in the spring of 1982 than it had earlier in the revolution. By that time, Khomeini had crushed all major opposition, including the relatively pro-Western Bani-Sadr, and the regime's anti-American rhetoric was as shrill as ever.
- The Soviets had concluded that the prospects for the Iranian revolution swinging to the left were becoming slimmer and that the outlook for good bilateral ties was poor. They apparently believed that as long as Khomeini or his supporters remained in power Soviet influence would be minimal.

There are, however, some important constraints on the improvement in Soviet-Iraqi relations:

- Mutual distrust between Iraqi President Saddam Husayn and Moscow remains great.
- The Soviets do not want to antagonize Syria—their principal ally in the Middle East—by developing too close a relationship with its archenemy, Iraq.
- Most important, we believe the Kremlin, despite the deterioration of its relations with the Khomeini regime, still considers Iran more important geopolitically than Iraq and will want to avoid providing an opening for the United States in Tehran.

Although the Soviets are likely during the next year to continue supplying political and military backing to Iraq, they will attempt to avoid a complete break in relations with Iran.

The course of the war will have a major effect on Soviet policies toward the two countries during the next year. A prolongation of the military stalemate—the most likely scenario—probably would strain Moscow's relations with Iran even further and lead to continued improvement in its ties with Iraq.

The Soviets consistently call for an end to the war, even though they realize that cessation of the conflict would yield them liabilities as well as benefits. A peaceful settlement would:

- Reduce the significance of one of the prime irritants in Soviet-Iranian relations—Moscow's weapons sales to Baghdad.
- Probably make the Persian Gulf states less nervous about Iranian expansionism, which would decrease their need and willingness to cooperate militarily with the United States.

- Result in probably greater contributions from Iran and Iraq to the struggle against Israel, thereby strengthening the pro-Soviet radical Arab states.
- Possibly improve the prospects for a rapprochement between Baghdad and Damascus.

The potential liabilities for the Kremlin from an end to the war, however, would be at least as significant:

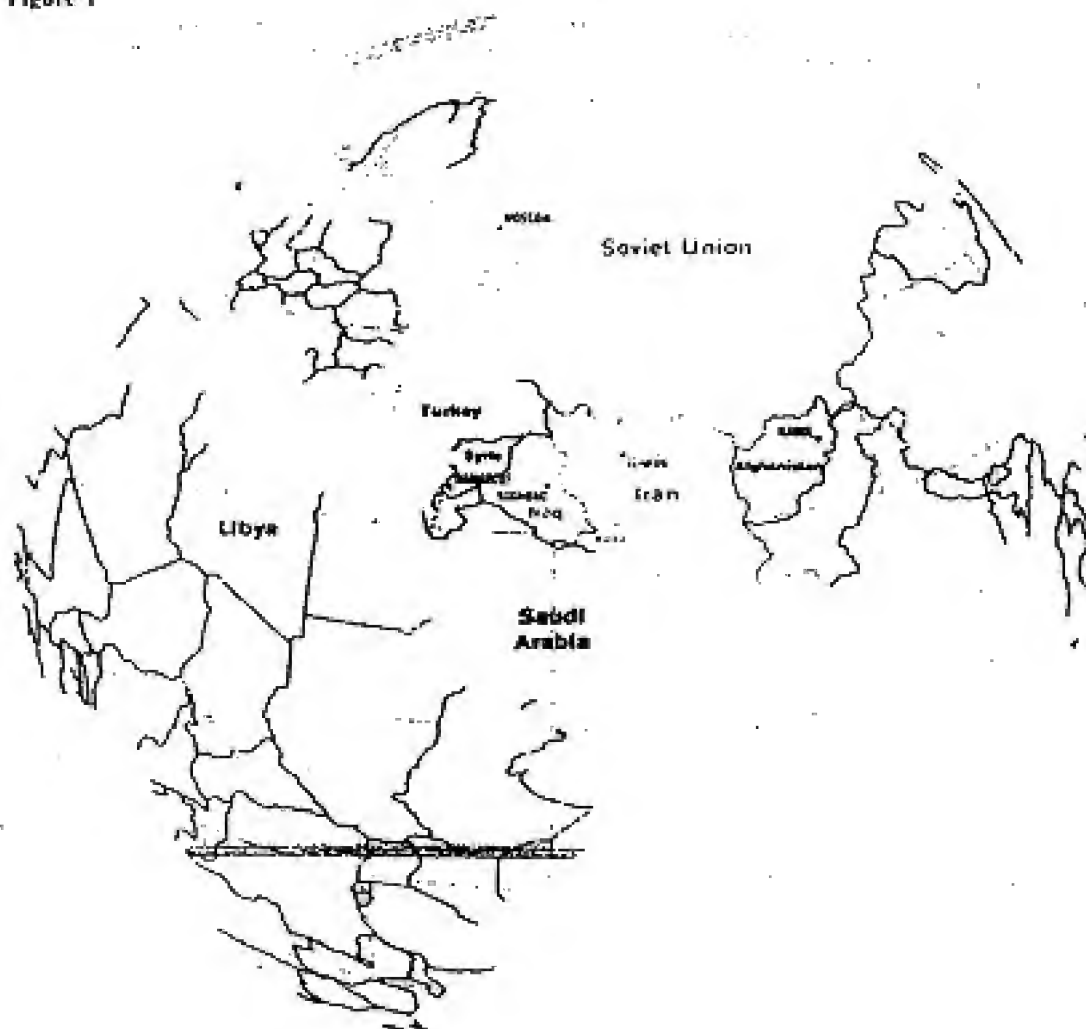
- Iraq, without as acute a need for weaponry, might accelerate its diversification of weapons suppliers and become less dependent on Moscow.
- Iraq would probably improve its relations with the United States.
- Although a dramatic improvement in Iranian ties with Washington is a remote possibility, Moscow might worry that the absence of the unifying factor of the war could weaken the fundamentalist regime to the point that more pragmatic clerics, who are not as averse to dealing with the United States, would gain the upper hand.

But the Soviets have learned to live with the war and can continue to do so as long as neither side gains a decisive military advantage. Although Moscow would significantly enhance its position in the Middle East if it became an honest broker negotiating a settlement, the prospects of that occurring are slim.

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Figure 1



Moscow's Tilt Toward Baghdad: The USSR and the War Between Iran and Iraq

Introduction

The USSR's primary aim in the Persian Gulf region since 1979 has been to capitalize on the windfall it received from the elimination of US influence in Iran without jeopardizing its shaky, though important, relationship with Iraq. The war between Iran and Iraq, which began in September 1980, has created a major impediment to the accomplishment of this objective.

We believe that the Soviet Union has seen the war as, on balance, detrimental to its interests. On the one hand, the conflict has increased Iran's dependence on Soviet and East European trade and transit routes, weakened the position of the anti-Soviet Saddam Husayn, and boosted Soviet hard currency earnings from arms sales. Nevertheless, the Soviets probably believe that these benefits are outweighed by other factors. In particular, Moscow's shifting policy toward the war has angered both Iran and Iraq. Only since spring 1982 has Baghdad's attitude softened as the Soviets have begun to favor Iraq.

Another of the war's liabilities is that it has made a US military presence in the region less objectionable to the conservative Persian Gulf states, who fear Iranian expansionism. As the Soviets have often lamented, the war has also benefited the United States and Israel by bleeding two anti-US countries and by diverting Arab and Iranian energies from the confrontation with Zionism.

Although the USSR has maintained an official, public policy of neutrality throughout the war, at different points during the conflict it has leaned toward one side or the other depending on its evaluation of the fighting. Up until 1982, however, the Soviets refrained from taking a decisive stance on the side of either belligerent.

This paper analyzes why Moscow abandoned its relatively evenhanded stance toward the two belligerents in spring 1982 and adopted a policy that clearly

favors Iraq. It briefly examines Soviet interests in each country and the policy the Kremlin followed during the first year and a half of the war. It also points out the factors that will limit Moscow's tilt toward Baghdad—most important of which is Iran's geopolitical significance to the USSR. Finally, the paper discusses different scenarios for the course of the war and how Soviet interests and policies will be affected in each.

Background: Soviet Policy Before the War

Moscow's relations with the Shah's regime after 1962 were relatively friendly despite the Shah's deep-seated anti-Communism and suspicion of the USSR. Trade expanded rapidly in the 1960s and 1970s, and, beginning in 1966, Tehran started purchasing Soviet arms. By the time of the Shah's ouster in February 1979, the Iranians had ordered \$1.7 billion worth of Soviet weapons—mostly ground force support equipment. (See table on page 10.)

Strains began to reappear in Soviet-Iranian relations after 1973, however, when the Shah started to use his oil wealth to build Iran into the predominant military power in the Persian Gulf region. The Shah's strategy involved a much closer alliance with the United States and resulted in a more assertive Iranian policy, which often clashed with Soviet interests in the region. Thus, Moscow, although surprised by the Shah's rapid demise, welcomed it as a major blow to US influence in the area.

The Soviets expended considerable effort after the Shah fell in February 1979 in an attempt to court the regime of Ayatollah Khomeini. The Islamic government's decision to allow the previously illegal Tudeh (Iran's Communist party) to operate openly and its espousal of radical "anti-imperialist" and anti-Israeli views presumably bolstered the Kremlin's hopes. Moscow's invasion of Afghanistan in December 1979,

however, severely set back whatever prospects existed for genuinely close relations with the Khomeini regime. During 1980 Tehran spoke out often against the Soviet presence in Afghanistan, closed down Iran's natural gas pipeline to the USSR, and reduced the number of Soviet nationals serving in Iran.

Soviet-Iraqi relations—which had expanded during the first half of the 1970s with the signing of a Friendship and Cooperation Treaty in 1972 and the sale of large quantities of sophisticated Soviet weapons to Baghdad—worsened during the last few years of the decade. Iraq opposed the Soviet-Cuban involvement in Ethiopia in 1977 and 1978, the Marxist coup in Kabul in 1978, and Moscow's invasion of Afghanistan the following year. The Iraqi leaders' growing disenchantment with the USSR convinced them in 1978 to execute some 40 Iraqi Communist Party (CPI) members arrested three years earlier on charges of recruiting among the armed forces. The only CPI member holding a cabinet post was removed. Even more worrisome for the Soviets, however, was Iraq's effort to reduce its overreliance on the USSR for arms—the only real basis of their relationship—by purchasing major weapons systems from the West.

The War: Early Soviet Miscalculation

The Kremlin clearly disapproved of the Iraqi decision to attack Iran in September 1980.

Soviet officials have complained

that the Iraqis did not consult with the USSR, as they were supposed to according to the Soviet-Iraqi treaty, before invading.

The Kremlin's decision in the early days of the war to cut off direct arms shipments to both sides reflected its opposition to the Iraqi invasion as well as its efforts to curry favor in Iran. Iraq bore the brunt of this decision because it had been receiving substantial amounts of Soviet arms, while Iran had been getting far less. From the start, however, Moscow attempted to attenuate the negative effects of the arms embargo, which it never publicized, on both countries. It allowed small amounts of Soviet arms to filter through to them in the first few months of the war and also permitted, and probably encouraged, countries—such as Libya, Syria, North Korea, Bulgaria, and Poland—to ship Soviet-origin weapons to them.

Despite this attempt to soften its impact, Iraq resented the Soviet embargo. A Soviet official in December 1980 that Saddam was "furious" over the arms cutoff.

He stated that Moscow's "betrayal" meant bilateral ties could "never again be the same."

At the same time, were spreading the idea that Saddam's days were numbered, apparently with the aim of eroding confidence in his rule. The Soviets also signed a Friendship and Cooperation Treaty with Syria in early October despite the open hostility between Damascus and Baghdad.

Moscow's willingness to risk a rupture with Iraq arguably stemmed, in part, from its belief that the Iraqis could not afford to break with the USSR completely and from its displeasure with Saddam personally. In the fall of 1980,

On the Middle East scene,

attributed the embargo to Moscow's desire to

teach the "ungrateful" Iraqis a lesson. [] told [] that around the same time that the Kremlin considered Saddam "defiant."

Perhaps even more important in the Soviet decision to undertake these anti-Iraqi steps was Moscow's apparent perception of Iraq's invasion as an opportunity to make some gains in Tehran. The Soviets began a new effort to court the Khomeini regime. For instance, Soviet Ambassador Vinogradov met with then Prime Minister Rajai and Speaker of the Majlis Rafsanjani on separate occasions in October and stressed Moscow's interest in improving relations. Tehran, however, was not receptive, and the effort foundered.

Reassessment of Policy: Spring 1981 Through February 1982

In a major tactical shift, the Soviets lifted the arms embargo in spring 1981. Removing the embargo clearly favored Iraq because it bought much more than Iran did from the USSR. We believe the Soviets apparently feared that continuation of the embargo was prompting Iraq to accelerate its arms purchases from China and the West and could turn Baghdad irrevocably away from the USSR. Their decision was probably also influenced by worries about the growing rapprochement between Baghdad and moderate Arab states, signs that the United States was seeking to improve relations with Iraq, and Moscow's own failure to make immediate headway with Iran.

During the next 12 months, until spring 1982, the Soviets delivered over [] worth of weapons to Iraq. []

[] All of these arms apparently were bought under contracts signed before the war. During the same period, Iran, despite its appeals for arms, received from Moscow much smaller amounts of military equipment, including small arms, ammunition, trucks, and spare parts.

Lifting the embargo removed a major irritant in the USSR's relations with Iran and Iraq and helped slow Baghdad's shift from Soviet to Western weapons, but it created new problems for Moscow. Both Baghdad and Tehran presumably viewed the move as the righting of a wrong. The Iranians now had good

reason to criticize Moscow for arming their enemy and did so frequently. Baghdad, []

[] strongly resented Moscow's failure to curb arms shipments made to Iran by Soviet allies and clients.

In addition to the resumption of the arms deliveries, the Kremlin sent out other signals that it was interested in mending fences with Baghdad. In April 1981, Brezhnev—for the first time since 1978—signed the annual message to the Iraqi leadership commemorating the signing of the 1972 Friendship and Cooperation Treaty. Shortly thereafter, the Soviets repaired a critical electric-generating facility in Iraq damaged during the war, and they signed a few new economic cooperation agreements.

Nonetheless, Soviet-Iraqi political relations remained chilly throughout the rest of 1981. Although Baghdad sent First Deputy Premier Ramadan to Moscow in June, it remained suspicious of the Soviets. For example, []

[] despite improved relations with Moscow, the Soviets remained determined to destabilize Iraq. [] were instructed to increase efforts to monitor Soviet subversive activities. [] claimed that Iraqi officials believed Moscow was using Syria to urge Iran to continue the war.

Meanwhile, the Kremlin probably was ambivalent about the course of political developments in Iran. It publicly applauded the ouster in June 1981 of Prime Minister Bani-Sadr, whom Moscow considered anti-Soviet and capable of turning Iran back toward the West. At the same time, it shed no tears over the Iranian clerics' crushing of the Islamic leftist opposition—the Mujahedin-e Khalq—in the summer and early fall. The Soviets had repeatedly criticized the Mujahedin for refusing to unite with other leftist forces in Iran and were especially skeptical of its attempts to overthrow the Khomeini regime by force.

But some Soviets recognized that the consolidation of clerical control would not necessarily benefit the USSR. For example, *Izvestiya* political commentator Aleksandr Bovin warned in an article in June 1981 and on a Moscow television program in July that the fundamentalist clerics who were becoming dominant in Tehran were virulently anti-Soviet.

Whatever reservations it had, however, Moscow continued to court the Khomeini regime. When Iran's new President, Prime Minister, and Foreign Minister took office late in the summer of 1981, they, unlike many of their predecessors, did not speak out publicly against the Soviets. In addition, trade increased in 1981 to slightly above prerevolutionary levels, the two countries exchanged visits of various low-level delegations, and Ambassador Vinogradov was granted a number of meetings with Iranian leaders. This period, however, turned out to be the calm before the storm.

Moscow Changes Course: March Through July 1981

In our judgment, the lifting of the arms embargo in spring 1981 was essentially a damage-limiting move by Moscow. Its previous policy, which had been more favorable to Iran, failed to produce benefits for the Soviets in Tehran and further damaged their already poor standing in Baghdad. Ending the embargo, however, slowed but did not reverse the deterioration in Soviet-Iraqi ties, partly because the Soviets continued to court Khomeini. It was not until the spring of 1982 that the Kremlin began to move from this policy of equidistance between the belligerents to one of clear support for Iraq.

Iraq. The most important indicator of the Soviet tilt toward Baghdad was the conclusion of a major new arms contract--the first since before the war began.

In part because of these moves, political relations with Baghdad also began to improve.

Between March and June, the Soviets hosted visits from the Iraqi Deputy Trade Minister and Minister of Industry and from Deputy Prime Minister Aziz. During the same period, Iraq received a number

of high-ranking East European officials and the Chief of the Soviet Foreign Ministry's Near East Department, Oleg Grinevskiy—the highest level Soviet official to visit Baghdad since before the war

In late May Moscow began praising Iraq's publicly expressed willingness to end the war. Moscow Radio, for example, in a broadcast in Arabic on 21 June, welcomed Saddam's announcement that Iraq would withdraw its troops from all Iranian territory, calling it a "positive step" that could lead to "ending the bloody conflict as soon as possible." The Soviets supported the Iraqi-inspired UN Security Council resolution on 12 July calling for an immediate ceasefire and withdrawal of forces to prewar boundaries. Soviet media commentary on the major Iranian offensive at Basrah that began on 14 July—the first time in the war that Iranian forces crossed into Iraq—was implicitly critical of Tehran and supportive of Baghdad

Iraq. Moscow's frustration with the Khomeini regime's failure to respond to its continual overtures for closer relations and with Tehran's recurrent anti-Soviet gestures was an important factor in the decision to tilt toward Iraq. The Soviets began to voice these frustrations publicly at about the same time this tilt toward Iraq was becoming evident. On 9 March 1982 *Pravda* published an authoritative article by its senior Third World commentator, Pavel Demchenko, who listed in stark detail Moscow's grievances against Iranian policy toward the USSR. Demchenko charged that there were "extreme right" factions, opposed to improving Soviet-Iranian relations, operating around the Ayatollah. He also warned that criticism of the Soviet presence in Afghanistan was "futile" and that Moscow would not withdraw its troops until outside intervention—"including intervention from Iranian soil"—ended

[] indicates Moscow intended this raid to

serve as a deliberate warning to Iran to cease its stronger involvement in behalf of Afghan insurgents.

[] Soviet media criticism of Iranian repression of the Tudeh also began to increase. Such complaints, common in broadcasts of the National Voice of Iran (NVOI)—the Baku-based Soviet radio station purporting to be Iranian—now began appearing more frequently in official Soviet media

Soviet Motivations. Various factors accounted for this clear tilt toward Iraq. In our judgment, probably the most compelling was Moscow's concern over the shift in the war's military balance toward Iran. The shift was occurring at a time when Moscow's own ties with Iran were fraying

Statements by Soviet officials indicate Moscow was wary of an Iranian victory. Iran's impressive string of triumphs on the battlefield beginning in September 1981 made the threat of overall victory a reality. In our judgment, the Kremlin probably thought an Iranian defeat of Iraq and establishment of a pro-Iranian regime in Baghdad would have undermined Soviet influence in Iraq and strengthened the Khomeini regime, making it even less susceptible to Soviet overtures. Furthermore, Moscow did not want to see an anti-Soviet Iranian regime, whose Islamic fanaticism might potentially attract adherents among the USSR's own 43 million Muslims, spread its influence beyond Iranian borders. []

[] Soviet leaders also probably feared that a threatened Iraq would accelerate its turn toward the West, China, and moderate Arabs. If Moscow would not come to its aid, Baghdad might even appeal to Washington. [] stated that in early May 1982 the CPSU Central Committee Secretariat did a study that concluded the United

Soviet Reassessment of the Iranian Revolution

An article in the CPSU journal *Kommunist* (published in the July 1982 issue but probably written before May) is a landmark in the Soviets' reassessment of the Iranian revolution. It criticized the Iranian clerics' consolidation of power in the summer of 1981 as a negative turning point in the revolutionary process. The author, Rostislav Ulyanovskiy, a deputy chief of the CPSU Central Committee's International Department and one of the USSR's senior experts on the Third World, stated that the triumph of the fundamentalist clerics marked the end of the revolution's "genuinely people's anti-imperialist" nature and the beginning of an "illusory" quest for an Islamic "third path" between capitalism and socialism.

The article stated that the February 1979 revolution was "bourgeois democratic," and, with the right kind of leadership, could have been turned in an "anti-capitalist" (that is, pro-Soviet) direction. Unfortunately, lamented Ulyanovskiy, the complete triumph

of the Shiite clergy stunted the revolution's "progressive" tendencies. In his words:

The more the new organization's power with its specifically Islamic features (to which the ruling clergy paid paramount attention) strengthened, the more rapidly the foundations of the revolution as a truly people's anti-imperialist and democratic revolution were eroded...

Perhaps engaging in wishful thinking, Ulyanovskiy claimed that the clergy's policies were intensifying the class struggle in Iran and suggested that "sharp turnarounds in the future" were always possible. He admitted, however, that the leftwing forces in Iran were in disarray.

The article, which had to have high-level authorization to run in *Kommunist*, was a rationalization and, at the same time, a confirmation of the negative shift in the Soviets' view of Khomeini's Iran.

States had no interest in seeing Iran invade Iraq. If the Soviets believed this, they might have feared that Washington, to prevent an Iranian victory, would take steps that might boost US influence in Baghdad. This action could have left Moscow a net loser in Baghdad at a time when its relations with Tehran were deteriorating.

The blow the Israeli invasion of Lebanon in June 1982 inflicted upon Soviet interests and credibility in the Middle East also may have contributed to Moscow's tilt toward Iraq. The Soviets may have thought that, if they did not increase support to Baghdad, it would appear to the Arab world that Moscow was failing all its Arab partners.

All of this was occurring at a time when Moscow concluded that the Iranian revolution was swinging to the right and that, as long as Khomeini or his supporters remained in power, Soviet influence in Iran would remain minimal. The Soviets had come to this

conclusion by spring 1982, as evidenced by an authoritative article in the CPSU journal in July (see box) and by their increasingly frank media criticism of Iranian anti-Sovietism. [] indicates that this public assessment was also privately held. He noted that, []

[] Iranian opposition to the Soviet Union was deep and strong. The Soviets also recognized that leftist forces remaining in Iran were no match for the clerical regime. [] stated that the Soviets believed the Iranian left was so weak and disunited that, even if the Khomeini regime collapsed, the left probably would be unable to seize power.

The Soviets apparently concluded, moreover, that Iranian hatred of the United States was still strong. [] in spring 1982 the Soviets believed Iran would remain hostile to the United

States for a long time. Although the Soviets probably remained wary about a potential improvement in ties with the United States, they evidently thought that a Soviet tilt toward Iraq would not produce an immediate move by Tehran back toward the United States.

Since Basrah: Intensification of the Tilt

The improvement in the USSR's ties with Iraq and deterioration in its relations with Iran have accelerated since Iranian forces first crossed into Iraq at Basrah in July 1982.

The War. While maintaining an official stance of neutrality, Moscow has become increasingly critical both publicly and privately of Iran's refusal to consider a negotiated settlement. The Soviets in October 1982 again voted for an Iraqi-inspired UN Security Council resolution calling for a cease-fire. Iraqi Foreign Ministry officials [

[

The Soviets also have begun to confront the Iranians on the war more directly and authoritatively in private. [

Grumyko received the Iranian and Iraqi envoys to Moscow separately on 5 March 1983 [

Grumyko stated in no uncertain terms to the Iranian Charge the USSR's desire for a quick end to the war. In [

The Iranians have responded with harsher public criticism of Moscow's stance on the war. The regime-sponsored Tehran newspaper *Emro'at* blasted the Soviets in late December for allowing Iraq to use Soviet-made missiles in an attack on Dezful. At a Friday prayer service in January, Speaker of the Iranian Majlis Rafsanjani accused the "Western and Eastern superpowers" of providing arms that allow Iraq to continue the war. Ayatollah Meshkini was even more blunt in the Friday prayer services in Qom on 25 February, when he claimed that Moscow had "spared no effort in assisting our enemy," which had "caused the deaths of our dear youths." Subsequent Iraqi missile attacks on Dezful and other Iranian cities in April and May brought sharp condemnations of Moscow by the clerical leaders.

Other Frictions With Iran. The USSR's relations with Iran have become increasingly strained over a host of other matters in addition to the war. The Khomeini regime, as it had in 1980, allowed Afghan refugees to march on the Soviet Embassy in Tehran on the 27 December 1982 anniversary of the Soviet invasion. They tore down and burned the Soviet flag flying over the Embassy's front gate. Moscow filed an official protest, but the Iranian Foreign Ministry publicly condemned the attack on the Embassy by suggesting it was justified by the USSR's occupation of Muslim Afghanistan.

The Soviets have shown increasing concern over Tehran's aid to the Afghan insurgents and are now publicly and directly criticizing the Khomeini regime over the issue [

[

Although the statements were clearly overdramatized for effect, Moscow's worries on this score are genuine.

Moscow has also protested a series of Iranian measures to restrict and harass Soviet activities.

The most telling indicators of the depths to which Soviet-Iranian relations have sunk, however, have been Tehran's arrest of the Tudeh's leaders, dissolution of the party, and expulsion of 18 Soviet diplomats in May 1983. Tudeh General Secretary Kianuri and other party members were arrested by the Khomeini government on 6 February on charges of spying for the KGB. Moscow lodged an official protest and called, thus far unsuccessfully, for their release. In late April and early May, Kianuri and other Tudeh leaders "confessed" on Iranian television to being agents of the USSR, intent upon overthrowing the clerical regime. On 4 May the government dissolved the party, a move Khomeini endorsed publicly. The same day Tehran expelled 18 Soviet diplomats—close to half the officially accredited Soviet diplomats in Iran—for interfering in Iran's internal affairs.

Moscow's response to the May actions was restrained, limited to private and media protests and the symbolic expulsion of three Iranian diplomats. This restraint reflects the Kremlin's unwillingness to write off Iran totally and possibly a belief that dissolving the Tudeh had more to do with Iranian internal than with

The Iranian announced in late June that Tehran University was reopening the hospital and renaming it after Kachek Khan Jangah, whose rebellion against the Shah's father in the early 1920s, Iranian media noted, failed when the Soviets withdrew their support.

foreign policies. Gromyko, however, in his speech to a session of the Supreme Soviet in mid-June, implicitly warned Tehran that the USSR would respond in kind to any future unfriendly Iranian acts.

Expanding Military Ties With Iraq. In contrast to sharply deteriorating relations with Iran, Moscow's relations with Iraq have been continually improving. Both sides' public rhetoric has reflected this. Gromyko, during the same mid-June speech in which he criticized Iran, stated that Iraq and the USSR "are linked by relations of friendship." In an early July interview with a French newspaper, Saddam lauded the Iraqi-Soviet "rapprochement." The most concrete indicators of the rapprochement, however, are the heavy flow of Soviet weapons to Iraq and the conclusion of a major new arms deal.

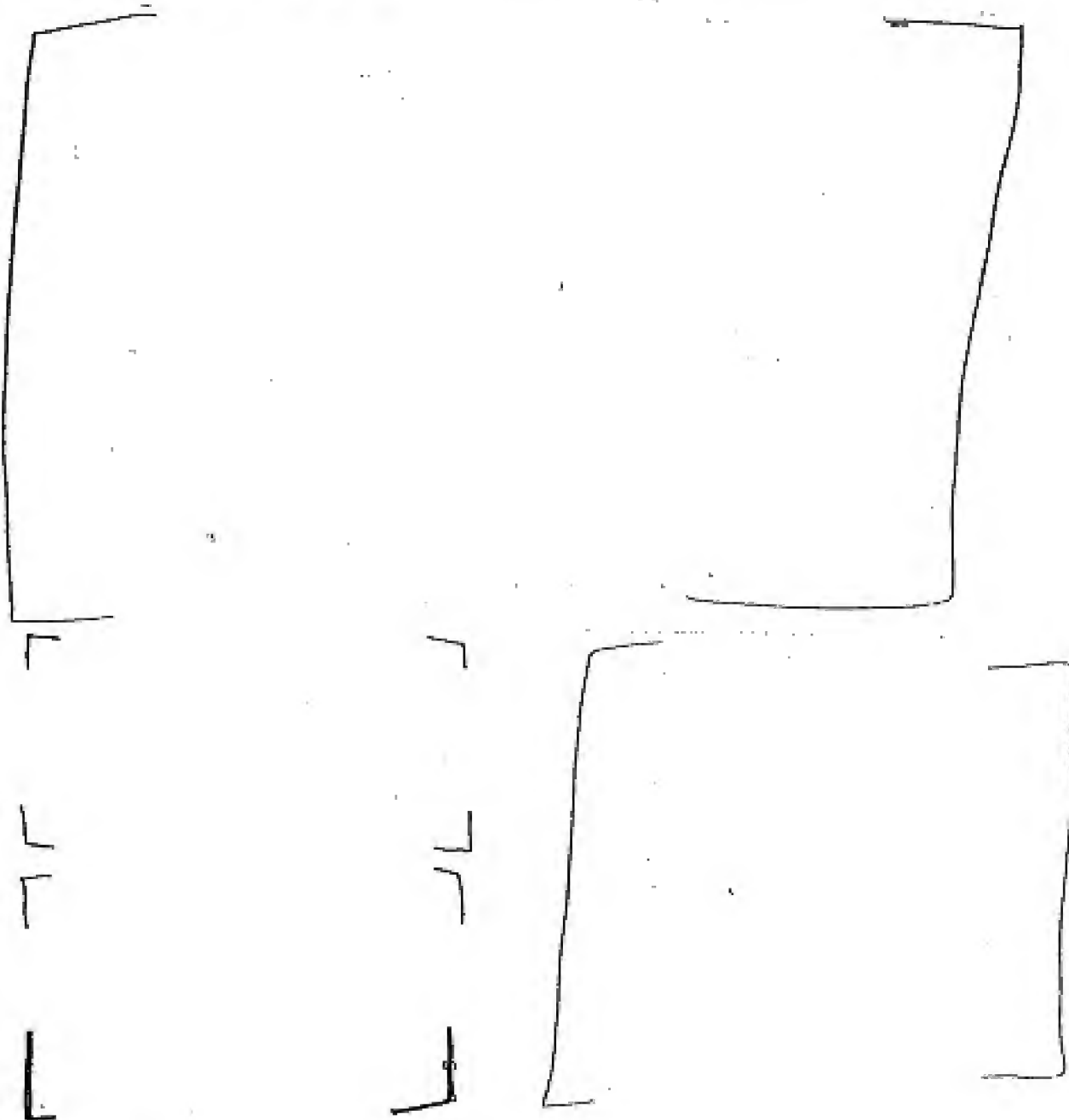


- Among the weapons delivered in 1967 were:
- [] Fighter aircraft
 - [] Helicopters
 - Over [] tanks, some of which were the improved model equipped with laser rangefinders.
 - Hundreds of surface-to-air missiles and rockets.

Soviet arms sales to Iraq since the war began have made an important contribution to Iraq's ability to carry on the war. Nevertheless, Soviet arms represent only one-sixth of Baghdad's total purchases since the war started (see table). Baghdad has contracted for \$11 billion from Western countries and an additional [] from China since the war began. Iraq's purchases from Beijing undoubtedly are particularly galling to Moscow.

[]

Iran-Iraq: Arms Purchases, 1977-June 1983



Has Andropov Made a Difference?

Brezhnev was still at the helm when the Soviets decided in the spring of 1982 to alter their policy toward Iran and Iraq. However, Andropov's rise to the top of the Soviet party began at around the same time. Although we do not know his role in this change in policy, as KGB chief and a Politburo member, he undoubtedly had a say in the matter. The fact that his regime has pursued it even more vigorously suggests that he supported the change.

The increasingly pro-Iraq tilt, together with other information, suggests that Andropov may be more inclined to support Iraq and less convinced of opportunities for the Soviets in Iran than was Brezhnev. Andropov has not publicly expressed his views on Iran, but *Izvestia* commentator Aleksandr Bonin, reportedly one of his advisers, has been a critic of the

clerical regime. Furthermore, we know []

[] that the KGB, while Andropov was its chief, had a low regard for the left's political prospects in Iran and was deeply concerned by both anti-Soviet and allegedly pro-US sentiment within the clerical leadership.

There is some evidence that the Iraqis believe Andropov has made a difference. The Iraqi delegation that visited Moscow in December 1982, []

[] came away with the impression that Andropov's regime is much more sympathetic to Iraq's interests than was Brezhnev's. The chief of the US Interests Section in Baghdad noted in February 1983 that Iraqi officials have made similar remarks to Westerners.

The Soviets may also have moved to help Iraq by urging Syria to reopen the Iraqi pipeline that crosses its territory. []

[] in late March, however, that the Syrians had refused.

In addition to military supply activity, there have been some reports that Soviet military advisers have become more active in providing Iraq with combat advice and assistance. []

[] has reported that Soviet military officers outlined tactical plans for Iraq during the April 1983 battle along the Dowsyrich River from []

[] has claimed that Soviet pilots are flying Iraqi MIG-25s, although not on operational reconnaissance or combat missions over Iranian territory. Although none of these reports have been confirmed and we doubt that Soviets are actually fighting Iranians, we think Moscow may have increased its advisory effort.

Limitations to the Soviet-Iraqi Rapprochement

Some important constraints will limit the improvement in Soviet-Iraqi relations. First, great mutual distrust still exists between Moscow and Saddam. The Soviets have not forgotten Saddam's execution of Iraqi Communists in 1978 and his continuing tight restrictions on CPI activity in Iraq. Although numerous sources reported that Saddam released some CPI members from jail in late spring 1982—some sources claim the release was quid pro quo for the April arms deal—the CPI still does not operate openly in Iraq. As recently as 14 June, Saddam publicly condemned the CPI. Moscow also remains wary of Baghdad's increasing military, economic, and political contacts with China and Western powers.

Saddam apparently still deeply resents Moscow's arms embargo early in the war. This sentiment is never far from the surface in his public statements on relations with the Soviets. He also continues in these statements to chastise Moscow on various issues. An article in the Ba'ith Party newspaper in mid-August criticized the USSR's foreign policy, sparking a Soviet rejoinder and an Iraqi counter-rejoinder.

Second, the Soviets have to weigh the effects of a full rapprochement with Baghdad on their ties with Syria. They will want to avoid antagonizing President Assad, their most important ally in the Middle East and a strong supporter of Iran, by developing too close a relationship with his archenemy, Saddam Husayn. Optimally, of course, Moscow would like to see Baghdad and Damascus mend fences.

Greenham expressed the hope

that Iraq and Syria would end their mutual hostility, but he was at a loss as to how this would be accomplished. As noted earlier, there are unconfirmed reports that Moscow has unsuccessfully sought Syrian agreement to reopen the Iraqi pipeline.

In asking Damascus to moderate its policy toward Iraq, the Kremlin is likely to argue that such a change would foster Arab unity and lure Iraq back into the radical Arab fold. The Soviets' apparent failure to push Syria more forcefully, however, indicates the value they put on their ties with Damascus.

Third, and most important, we believe Moscow still considers Iran more important geopolitically than Iraq, if for no other reason than that the USSR and Iran share a border of more than 1,500 miles (and Iran, in addition, borders Afghanistan). The Khomeini regime's virulent anti-Americanism and its growing ties to radical Third World regimes serve Soviet interests. Moscow will want to be careful not to tilt so far toward Baghdad that it convinces some Iranian leaders to rethink their hostility toward the United States.

Although it states that, as of spring 1982, Moscow believed Iran would remain hostile to the United States for a long time, Iran's improving ties with Western Europe and Japan appear to be giving Moscow second thoughts. A Soviet Foreign Ministry official, for example, expressed concern

in February 1983 that Iran is increasingly turning to Western technology and that its leaders were at heart oriented toward the Western economic system. This is apparently leading Moscow to think that better ties with Washington could come next. A senior *Pravda* editor, for example, voiced suspicion of alleged US encouragement of South Korean military sales to Iran in June. The same theme of military contacts with Iran has been appearing more frequently in Soviet scholarly and media articles. *Krasnaya Zvezda*, for example, claimed on 8 June that the United States is providing Iran arms via Israel.

The Soviets sent Safronchuk, Chief of the Foreign Ministry's Middle East Department, to Tehran on 5 April. He is one of the highest level Soviet officials to visit Iran since the revolution. The Iranian:

Since his visit, despite the Tudeh episode and expulsion of diplomats, there have been some additional small signs—such as the resumption of Aeroflot flights to Tehran—that the Soviets and Iranians are not interested in a total break in relations.

Moscow also continues to sell limited amounts of military equipment to Iran.

And, as noted, Tehran continues to obtain Soviet military equipment from countries such as Bulgaria, Poland, and Czechoslovakia almost certainly with Moscow's approval.

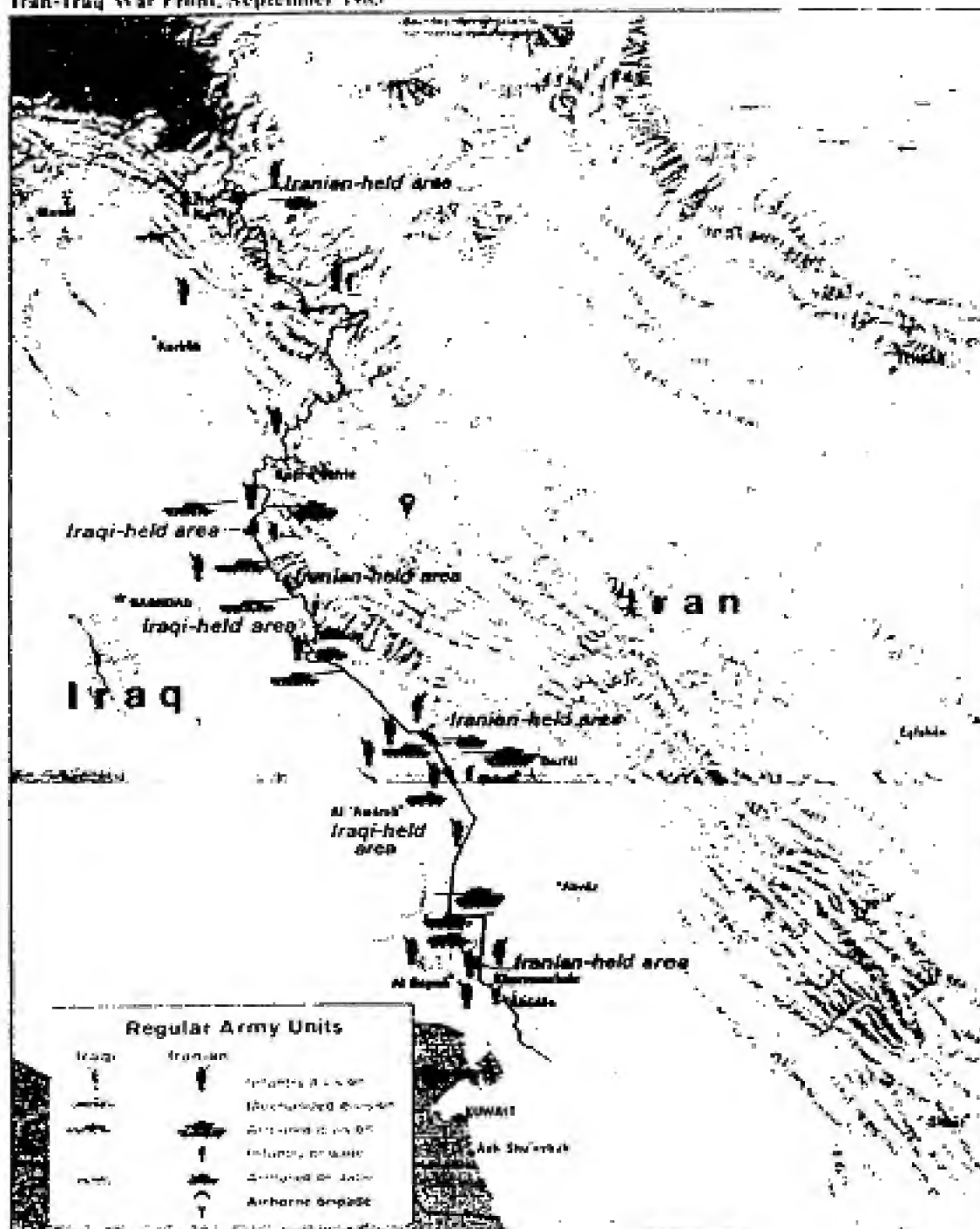
Outlook

If the Stalemate Continues. The course of the war will have a major effect on Soviet policy toward Iran and Iraq over the next year.

A prolongation of the stalemate on the battlefield is the most likely scenario. A major Iranian breakthrough is now only a very slim possibility. Tehran's fundamental disadvantages in materiel have become obvious as the Iraqis have stabilized the front and bolstered their defensive fortifications. Chances are almost as slim that Iran and Iraq will settle the war at the negotiating table. Despite Iraq's declared willingness to settle the war peacefully and growing weariness of war in Iran, Khomeini's hatred of Saddam impels him to accept nothing less than the Iraqi leader's ouster. Iran's most likely course of action is to fight a war of attrition coupled with increased subversion, hoping thereby to erode Iraqi morale, further strain Iraq's economy, and eventually bring about the overthrow of Saddam.

Although the Soviets did not welcome the war and have persistently called for the conflict's end, both publicly and privately, they have learned to live with it and can continue to do so indefinitely as long as neither side gains a decisive military advantage. The Soviets do not want to write off either Iran or Iraq. For at least the next year, however, Moscow, while probably attempting to stabilize relations with Tehran, is almost certain to continue pursuing a policy more favorable to Baghdad. As long as Khomeini and

Figure 9
Iran-Iraq War Front, September 1983



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Stenographic Transcript of

HSIS 51 /87

ORIGINAL

HEARINGS

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

DEPOSITION OF OTTO J. REICH
Wednesday, July 15, 1987

Washington, D.C.

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(4096)

Partially Declassified/Released on DEC 23 1987
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by D. Sirko, National Security Council

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DEPOSITION OF OTTO J. REICH

Wednesday, July 15, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Deposition of OTTO J. REICH, called as a
witness by counsel for the Select Committee, at the
offices of the Select Committee, Room SH-901, Hart Senate
Office Building, Washington, D. C., commencing at 10:08
a.m., the witness having been duly sworn by MICHAL ANN
SCHAFFER, a Notary Public in and for the District of
Columbia, and the testimony being taken down by Stenomask
by MICHAL ANN SCHAFFER and transcribed under her
direction.

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1 APPEARANCES:

2 On behalf of the Senate Select Committee on Secret
3 Military Assistance to Iran and the Nicaraguan
4 Opposition:

5 TERRY SMILJANICH, ESQ.

6 Associate Counsel

7 On behalf of the House Select Committee to
8 Investigate Covert Arms Transactions with Iran:

9 THOMAS FRYMAN, ESQ.

10 Staff Counsel

11 On behalf of the House Foreign Affairs Committee:

12 SPENCER OLIVER, ESQ.

13 Associate Chief Counsel

14 On behalf of the witness:

15 MARK H. TUOHY, III

16 Pierson, Ball & Dowd

17 1200 18th Street, N.W.

18 Washington, D. C. 20036

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1 C O N T E N T S

2 EXAMINATION ON BEHALF OF

3 WITNESS SENATE HOUSE

4 Otto J. Reich

5 By Mr. Smiljanich 4

6 By Mr. Oliver 81

7 E X H I B I T S

8 REICH EXHIBIT NUMBER FOR IDENTIFICATION

9 1 81

10 2 117

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P R O C E E D I N G S

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Whereupon,

OTTO J. REICH,

called as a witness by counsel on behalf of the Senate
Select Committee and having been duly sworn by the Notary
Public, was examined and testified as follows:

EXAMINATION

BY MR. SMILJANICH:

Q Stats your name for the record, please.

A Otto J. Reich.

Q Ambassador Reich, my name is Terry Smiljanich.
I am Associate Counsel with the Senate Select Committee
on the Iran-Contra matter. I want to ask you a series of
questions concerning your tenure as Director of the
Office of Public Diplomacy, also your ambassadorship in
Venezuela, matters as they bear upon things that may be
relevant to our Committee.

This is a joint deposition. Present also is
Spencer Oliver and Tom Fryman on behalf of the House
Committee investigating the same matters. We are doing this
all together so we can avoid duplication and calling you
back for one, two, three depositions.

If there's anything that I ask you that you
are not clear about, what my question means or what it's
about, please let me know and I'll be happy to rephrase

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it for you. And if you want to take a break at any time,
let me know. I don't anticipate this is going to go on
very long, but if you do want to take a break, just let
me know.

A I appreciate it.

Q Would you give us the benefit of a brief
synopsis of your background, starting with your highest
level of education and then your various employments and
levels of employment?

A I have a Master's degree from Georgetown
University. That's the highest level of education.

My employment started before that. After
graduation from the University of North Carolina I joined
the U.S. Army. I went through officer candidate school.
After becoming a lieutenant I was assigned to the Panama
Canal -- it was then called the Panama Canal Zone -- for
two years, came back and went to graduate school.

While going to graduate school I worked on the
Hill for a Congressman from Missouri part time to
supplement my income and my GI Bill -- W. R. Hull.
Finished graduate school, moved to Florida, went into
business with an old Army colleague, an import-export
business in Miami importing seafood from various parts of
the Caribbean and Central America for about a year. That
didn't work out financially, so I joined the State of

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1 Florida Department of Commerce as an international
2 representative.

3 I'm giving you the major jobs. You don't want
4 to know that I worked in a shoe store and things like
5 that.

6 Q No. This is fine.

7 A I did a lot of that, too. Joined the State of
8 Florida Department of Commerce in 1973. I worked with my
9 friend from '72 to '73. '73 to '75 was international
10 representative of the State of Florida Department of
11 Commerce based in Coral Gables, Florida.

12 In '75 I was hired by the City of Miami as the
13 community development coordinator, which is in effect
14 economic development coordinator, until '76, when I was
15 offered a job and accepted the job of Deputy Director of
16 the Washington office of the Council of the Americas.
17 It's a non-profit association dealing with U. S.
18 corporations, membership of U.S. corporations, dealing
19 with Latin America, and I became Director of the
20 Washington office in '77, a year later, when the Director
21 left.

22 I had that job until '81, when I was appointed
23 as Assistant Administrator of the Agency for
24 International Development. I was confirmed by the Senate
25 in early '82. I held that job until approximately

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1 July 1. I say approximately because there is about
2 three different dates when the Office of Public Diplomacy
3 was created by the National Security Council. I think it
4 officially became an office on July 1 of '83.

5 I had that job until the President named me
6 Ambassador to Venezuela. The official designation was
7 January of '86, but he had actually signed my papers
8 August of '85. I had a hard time getting confirmed. I
9 was attacked by all sides, which I think helped me a
10 great deal. I was sworn in in May and moved on to
11 Venezuela in May right after confirmation. I have been
12 Ambassador to Venezuela since then.

13 Q Okay. Your appointments, starting with 1981,
14 Assistant Administrator, on to LPD, and then Ambassador
15 to Venezuela, these are all political appointments?

16 A They are political appointments, correct.

17 Q Now what was your specific role as Assistant
18 Administrator of AID? Were you the administrator?

19 A I was the administrator for Latin America and
20 the Caribbean. It's the equivalent of an Assistant
21 Secretary. It's Assistant Administrator. I was the
22 counterpart of what would today be Elliott Abrams and at
23 that time was Tom Enders.

24 Q And then when you became Director of the
25 Office of Public Diplomacy you started off as the

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1 Director; is that right?

2 A I started out as the staff.

3 Q You were the entire staff?

4 A I was the entire staff, right.

5 Q At that time -- the acronym is LPD, right?

6 A At that time it was S/LPD because it was in
7 the office of the Secretary. We can call it LPD if you
8 want.

9 Q Let's refer to it as LPD.

10 A It's a lot shorter.

11 Q Because at some point later in time the office
12 was transferred from the Secretary?

13 A That's correct, after I left.

14 Q Transferred from the Secretary's office over
15 to Elliott Abrams?

16 A That's correct.

17 Q So, thereafter the acronym, instead of S/LPD
18 is what?

19 A Thereafter ARA/LPD.

20 Q And when you were directly under the
21 Secretary, who was your immediate supervisor?

22 A On paper, George Shultz. When I say on paper,
23 there is actually a piece of paper that says, that
24 designates George Shultz as your supervisor.

25 Q So you would report, if you needed to report

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1 to anybody above you, directly to the Secretary?

2 A If I can clarify that, knowing the Secretary's
3 time constraints I usually would report to the Deputy
4 Secretary, who most of the time when I was there was Ken
5 Dam.

6 Q How did your appointment to S/LPD come about?
7 How did it happen?

8 A During the time that I was Assistant
9 Administrator of AID we had a very large increase in our
10 aid programs for Latin America. I didn't think -- I
11 mean, that was my job, to carry that out, implement that
12 program. I always complained that I thought the
13 Administration was doing a very poor job of letting the
14 rest of the world, including the American people, know
15 what we were doing. Frankly, nobody really cares very
16 much about foreign aid. There's a few Members of
17 Congress -- Dante Fascell being one, for example -- who
18 always cared.

19 And I wasn't under any illusions that we were
20 going to be able to get a lot of people interested in the
21 subject, but what concerned me more was that I knew we
22 were carrying out doing certain things in Latin America,
23 particularly Central America, which I thought were very
24 good for the United States and for democracy in the
25 region -- the land reform program in El Salvador, for

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1 example, smaller land reform programs in Guatemala,
2 Honduras, Costa Rica, et cetera -- and there were a lot
3 of aspects of the policy also not related to AID where I
4 thought the Administration was doing a very poor job in
5 informing the Congress and the American people.

6 So perhaps as a result of all this complaining
7 they said, fine. You go and fix it. How would you like
8 to do this? Actually I have to go back a few months from
9 the time that I got that job. Senator Richard Stone -- I
10 wasn't the only one complaining. Everybody in the
11 Administration, a lot of people, knew what a lousy job we
12 were doing in communicating -- or let me put it this way
13 -- not what a lousy job, because I think we were probably
14 trying, but that we could be more effective.

15 Sometime in early '83, former Senator Richard
16 Stone of Florida was given the title of Special Assistant
17 to the President for Public Diplomacy or something to
18 that effect. I'm not certainly exactly what he was
19 called. He had that job only a few months because in, I
20 believe, April, late April of '83 President Reagan
21 addressed a joint session of the Congress where he said
22 we've got a big problem here, folks, I need your help --
23 "folks" being both the Congress and the American people.

24 Shortly thereafter, a few days thereafter,
25 Stone was named the special envoy for Central America,

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1 which was one of several things that President Reagan
2 announced at the time he was going to do. That left a
3 vacancy in this position and I was selected then sometime
4 between April and June to succeed Stone, but with a
5 little different role in that the position instead of
6 being at the White House was placed in the Office of the
7 Secretary of State.

8 Q Okay. And when you started up your function,
9 this would have been in July of '83?

10 A Correct.

11 Q Did you then have a budget with which to
12 create a staff or anything?

13 A No.

14 Q How did you go about creating a staff at LPD?

15 A The memorandum from the National Security
16 Council which created the office authorized the office to
17 obtain personnel from State, Defense, AID and USIA, with
18 the State Department providing the bulk of the budget,
19 office space, logistical support. So I started
20 recruiting people. A lot of people volunteered.

21 Q You mean like pulling them from a Defense slot
22 or AID?

23 A That's right. There were many volunteers.
24 There were people who wanted to get into this because
25 they thought it was something exciting, different, for

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1 whatever reason, and there were some that I specifically
2 knew were either very knowledgeable about Central
3 America, knew the issues, or were particularly good
4 writers or articulate spokesmen.

5 I tried to choose people with the skills that
6 a public outreach, public diplomacy operation would need.
7 That took quite a few months. Frankly, I don't think we
8 were up to speed for about a year.

9 Q When you finally got up to full speed how big
10 was your staff?

11 A I believe that we got up to about 19, 20
12 people -- 18, 19, 20 people.

13 Q And who was your principal deputy?

14 A I had two deputies -- John Blacken, a career
15 Foreign Service Officer.

16 Q How do you spell Blacken?

17 A Like black-e-n.

18 Q He was career Foreign Service?

19 A He was career Foreign Service, a member of the
20 Senior Foreign Service. And the other deputy was
21 Jonathan Miller. You've heard his name.

22 Q Between the two of them how were their
23 responsibilities divided?

24 A Basically sort of Mr. Inside and Mr. Outside.
25 John Blacken was responsible for keeping the enormous

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1 amount of information that was flowing into the office
2 flowing. He was responsible for keeping it coming in,
3 making sense out of it, and producing, culling out all
4 the stuff we didn't need and producing the documents that
5 became, I would say, the principal activity of the
6 office, producing documents, speeches, publications,
7 background papers -- you've probably seen a lot of the
8 stuff -- and also making sure that we would get
9 additional -- if we needed something, he would try to
10 find it, not only in the State Department but also in the
11 other parts of the Executive Branch, whereas Miller was
12 more the outside person.

13 He dealt with outside groups. We had a lot of
14 outside groups who came to us for information, who were
15 referred to us by other parts of the government,
16 particularly the White House. There were a lot of people
17 who wanted help or wanted to criticize or wanted to
18 contribute ideas, information, and, as you know, there
19 are a lot of groups in Washington that were set up both
20 for and against the policy -- a lot more against than
21 for.

22 Q Let me interrupt here for just a second. When
23 you say "the policy", are you referring to overall Latin
24 American policy or was there a particular focus within
25 the Latin American policy?

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1 A Both. The reason why the office was
2 designated as the Office of Public Diplomacy for Latin
3 America and the Caribbean was because we didn't want to
4 just limit it to Central America, and in fact, for
5 example, the office was in operation at the time of the
6 Grenada rescue mission or invasion, whatever you want to
7 call it, and we did a lot on Grenada. We put out most of
8 the documents that eventually told the story, as we saw
9 it, of what happened in Grenada.

10 Q It would be fair to say, though, that one of
11 the primary major focuses of your public diplomacy effort
12 was geared toward the Administration's Central American
13 program, particularly vis-a-vis the Sandinistas' presence
14 in Nicaragua?

15 A It would be fair to say the first part of your
16 statement, and eventually the second part, but if we go
17 back in time to '83, in 1983 and 1984 the principal issue
18 of debate in the public and in the Congress was El
19 Salvador, not Nicaragua. Nicaragua became the principal
20 issue really sometime after the Congress approved the
21 President's request for El Salvador and after the
22 Salvadoran elections in the spring and summer. There
23 were two elections because there had to be a runoff --
24 the spring and summer of '84.

25 Then the focus of attention nationwide shifted

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1 -- it was almost overnight -- to Nicaragua. And,
2 therefore, the requests that came into the office and the
3 demand for information shifted more to Nicaragua. But
4 that doesn't mean that we weren't already working on it.
5 We knew it existed.

6 Q Who was the perceived audience of your efforts
7 at public diplomacy?

8 A We had a lot of audiences, foreign and
9 domestic -- foreign governments, friendly governments who
10 we felt did not have enough information about the policy,
11 general publics, interested groups, and domestic, of
12 course. I would say the Congress and the press. I'm not
13 putting them in order of priority because one day it
14 would be one and another day another. The Congress, the
15 media, let's say, interested groups, people who had
16 expressed an interest in the subject and, I'd say, the
17 general public.

18 Q Okay. Getting information together and
19 presented to the Congress was part of what you perceived
20 as your function?

21 A Yes.

22 Q Let's go to the end of your tenure there, when
23 you left for Venezuela in January of '86.

24 A Well, when I left the office.

25 Q When did you actually leave -- when did you

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1 actually cease functioning as Director?

2 A January of '86. There was a period when I had
3 to prepare for my confirmation hearings and I had to
4 leave the office.

5 Q During that time one of your deputies took
6 over?

7 A Yes. John Blacken.

8 Q John Blacken took over your day-to-day
9 functions?

10 A That's correct.

11 Q Was Jonathan Miller still a deputy at that
12 time?

13 A No.

14 Q When did he leave?

15 A He left around Labor Day of 1985.

16 Q And he went to the White House?

17 A That's correct.

18 Q And what was his title there?

19 A Well, he went to the NSC.

20 Q Specifically the NSC?

21 A He went to the NSC and I believe his title was
22 Deputy Executive Secretary of the NSC, but we'd have to
23 check on that exactly.

24 Q I think that's right, and that was Labor Day,
25 approximately September?

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1 A When I say Labor Day, I remember it was around
2 that time. I think it was either right before or right
3 after -- early September, I believe it was.

4 Q Who took his place as Mr. Outside, so to
5 speak?

6 A Nobody. I was going to explain what happened.

7 Q Well, go ahead and tell me. Go ahead and
8 explain what you did.

9 A I started to hire a successor and it took so
10 long that the successor did not arrive until after I was
11 gone.

12 Q Now when did you first make the acquaintance
13 of Lieutenant Colonel North?

14 A Sometime in 1983.

15 Q And how did that come about? He was one of
16 the Latin America people at the NSC?

17 A I think it was probably in a meeting when I
18 first came across him -- some kind of a meeting or
19 something like that.

20 Q Was he involved at all in the discussions
21 leading up to the creation of LPD?

22 A No, not to my knowledge. Not that I know of.

23 Q Okay. Now let's talk about a few of the
24 contracts that LPD entered into. First of all, were you
25 the contracting officer, so to speak, for LPD?

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1 A No.

2 Q Who was?

3 A We had different contracting officers. I made

4 the decisions eventually -- we need this, we need that,

5 let's find somebody who can do it -- but by State

6 Department regulations there has to be a contracting

7 office technical representative I believe it's called, or

8 some kind of liaison officer, and it was never me.

9 I just didn't have the time to supervise

10 contractors. I was trying to manage all of our inside

11 staff, our in-house staff, and doing a lot of traveling

12 because I was out on the road a lot.

13 Q I realize that this is a broad question so I

14 would expect a broad answer. What types of contracting

15 services did you find yourself contracting out in generic

16 terms?

17 A Usually we would contract out for services

18 that we couldn't produce in house because we didn't have

19 the manpower. As you said, at the beginning of the

20 office it was just me. For the first year we were very

21 much understaffed. We were promised people from other

22 agencies and they eventually arrived, but in some cases

23 it took six months. I can give you names of people it

24 took six months to arrive.

25 During that time -- sometime during that time

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1 -- I was told you can hire contractors, you know, to do

2 some of this work.

3 Q Who told you that?

4 A Different people. I can't remember their

5 names -- State Department people. I believe some

6 detailees, some people who had already arrived in the

7 office and who knew the conditions we were working under

8 and, frankly, who were suffering under those conditions

9 and said we need help. We were swamped with requests for

10 information. Once the office was created, people thought

11 oh, there's a great resource. Let's use it. And they

12 didn't realize we couldn't produce.

13 So when I found out we could go out for people

14 who could help us write papers, check information for us,

15 you know, do the things that we eventually learned to do

16 ourselves, then I went out and hired them.

17 Q How you say you didn't have a budget as

18 Director of LPD.

19 A In the first year.

20 Q And the first year would be July of '83 to

21 July of '84?

22 A That's right.

23 Q When did you first start contracting services?

24 I realize you don't have documents in front of you. I'm

25 just asking for your best recollection.

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1 A I can't remember when our first contract --

2 Q Was it within the first year?

3 A I would say it was within the first calendar
4 year -- I should say fiscal year, July to July --
5 definitely in the first year. I don't remember when our
6 first contract was. The thing on the budget --

7 MR. OLIVER: Can we go off the record for just
8 a minute?

9 (A discussion was held off the record.)

10 THE WITNESS: What I wanted to clarify was I
11 didn't want to leave you with the impression my office
12 had no budget at first. It didn't have an independent
13 budget. But we could use the budget of the Office of the
14 Secretary, and did, up until the time when we had our own
15 budget. And I frankly don't remember when that was
16 either. I believe it was fiscal year '84. I believe
17 that fiscal year '84, which would have been October of
18 '84, was when we first had some money of our own.

19 But up until then, for example, if I had to
20 travel I would travel on S Bureau funds.

21 BY MR. SMILJANICH: (Resuming)

22 Q And if you wanted to contract for services
23 during that initial time period you had to make sure that
24 the money was available in the S budget?

25 A Yeah, sure. We went through the proper

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1 procedures, just like a travel voucher.

2 Q Just very generally let me look here. I have
3 a few of these IBC contracts here, and the earliest one I
4 have here -- Spencer is bringing us a more complete file
5 that he may want to refer to -- but the earliest one I
6 have here was signed in February of 1984. You might take
7 a look at that cover there. That's just the first
8 document there.

9 MR. TUOHEY: Terry, are you going to mark this
10 as an exhibit?

11 MR. SMILJANICH: No.

12 MR. OLIVER: Isn't that a Frank Gomez
13 contract, not an IBC?

14 BY MR. SMILJANICH: (Resuming)

15 Q Yes.

16 A In fact, that may be the first outside
17 contract we had. I don't recall.

18 Q That's what I was going to ask you.

19 (Pause.)

20 MR. TUOHEY: Terry, are you going to ask
21 questions about this contract?

22 MR. SMILJANICH: I'm not going to get into the
23 details, no, but if anybody does he can certainly refer
24 to it.

25 MR. TUOHEY: What I'm saying is we won't take

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the time to read it now.

MR. SMILJANICH: I don't really need him to.

BY MR. SMILJANICH: (Resuming)

Q My first question about this is, do you recall whether or not this was the first or one of the first outside contracts that LPD would have --

A It certainly was one of the first.

Q Now the contract is specifically between LPD and Frank Gomez.

A That's correct.

Q Now did you know Mr. Gomez at that time?

A At this time, yes.

Q How did you first make his acquaintance?

A My recollection is that I first met him after I became the coordinator of public diplomacy on the occasion of a briefing that I gave the USIA Foreign Press Center. If I'm not mistaken, he was the director at that time of the USIA Foreign Press Center. I was introduced to him. He took me out to meet the press. I gave my briefing and we said goodbye.

I may have met him another time. I have this recollection that around the time of the Grenada operation, which would have been October -- the first encounter would have been July or August --

MR. TUOHY: Of what year?

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THE WITNESS: Of '83. And then I think in October again when I went to brief the press -- I went to brief the press several times. I'm not sure he was there every time. So I met him, I think, a couple of times but I'm not even sure that it was a couple of times. It was at least once, so that's when I met him.

BY MR. SMILJANICH: (Resuming)

Q At that time was he associated with Richard Miller?

A No. Not to my knowledge.

Q Now how did this particular contract come about? By this particular contract, I mean the February '84 Frank Gomez contract.

A One of the first people who was assigned to my office, to LPD, was a USIA officer called John Scafe -- S-c-a-f-e. John, who was a very experienced officer, came to my office shortly after it was created. He was one of the first few people, and he knew what kind of demands we were under. And he said, several months later -- not right away, several months later -- he said, remember Frank Gomez who you met?

I said yeah. Well, he's retiring from USIA, and there was something to the effect of why don't we hire him. And I said, you know, at that time I would have hired anybody who walked in the door who had the

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1 right requirements.

2 And, frankly, Gomez' qualifications were very
3 good. In addition to the USIA experience he had been a
4 Deputy Assistant Secretary of State for Public Affairs
5 and knew the region, Central America, had served in the
6 region, spoke the language -- on and on and on -- just
7 made to order for our office.

8 I don't recall whether -- I think he wanted to
9 retire and not work for us. At first I probably said,
10 you know, USIA owes us a detailee because we were
11 supposed to have two. Can we have him detailed? And I
12 have this vague recollection that no, he wants to retire,
13 but we can hire him as a contractor, and I said fine,
14 let's do it. And this is the result.

15 Q Did anybody outside your office lobby for or
16 make a recommendation to you to contract with Mr. Gomez?

17 A No, not to my recollection. The only person I
18 remember is John Scafe.

19 Q You then met with Mr. Gomez and negotiated
20 this contract? In other words, how did you go about it?

21 A Well, I certainly met with him. I mean, he
22 came into the office -- I don't remember when -- and
23 said, either he said this is what I can do for you or I
24 said what can you do for us, and it was pretty obvious
25 right away that he could help us a great deal. He might

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1 have even brought with him some samples of writing, some
2 things, for example, like fact sheets, et cetera.

3 We're now going back almost four years in
4 time. I think one of the biggest complaints I had was
5 that there were certain allegations about the policy
6 which were wrong but they kept being repeated. And one
7 of the things he said he could help us with was these
8 misconceptions. So I think one of the first things he
9 did for us was a paper on misconceptions, one-pagers.

10 I wanted to reduce the enormous amount of
11 information we had to something that could be easily
12 digested by busy people -- Members of Congress, editors,
13 whatever.

14 Q How did you arrive at a contract price with
15 him? Do you recall that process?

16 A I don't recall that. What I usually did was
17 I would turn it over to the appropriate people in the
18 Department. I did not set the prices -- at least I have
19 no recollection of ever discussing the price of any
20 contract with anyone, because I don't know what the
21 services are worth. I don't have any experience in that.

22 Q So you left that up to your staff?

23 A I left it up to the staff and to the technical
24 people whose job it is to do that.

25 Q What do you mean the technical people?

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1 A Well, the State Department contracting office.

2 Q In other words, outside your particular staff
3 at LPD?

4 A Oh, yes, outside. Sure. Our inside staff had
5 no one knowledgeable about contracting. As I said, the
6 most we ever had, including secretaries, was about 19, 20
7 people, including the people who did all the mountains of
8 paperwork. I had substantive people. I just could not
9 afford to have --

10 MR. TUOHY: Let me for the record make not an
11 objection but a clarification. I think this is an
12 important one to put on the record. The contracting
13 officer, the procurement contracting staff, is a separate
14 entity within the State Department, and that's important
15 because -- and I will get into more of this later -- I
16 have discussed at some length with the Inspector
17 General's staff, I know some of you fellows have, the
18 inquiry into the contracting process, and I think it's
19 important that the record reflect, and the Ambassador
20 certainly will respond to the questions at the
21 appropriate time, that there was a separate contracting
22 officer staff that handled a lot of these negotiations
23 that was not under his control.

24 MR. SMILJANICH: I appreciate that
25 clarification. I think that's clear in his answer, that

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1 the actual contracting out of the service was performed
2 by an entity within State Department outside your staff.

3 THE WITNESS: That's correct.

4 BY MR. SMILJANICH: (Resuming)

5 Q Now I don't know if there is a reference
6 within that contract or not to this. If there were, I'd
7 point it right out to you. Do you recall whether or not
8 there was any discussion of the necessity for security
9 clearances to Mr. Gomez in connection with that contract?

10 A No, not at that time. I don't recall any at
11 all.

12 Q Now let me see, then --

13 A Wait a second. Now that you mention it, I
14 think I was told that Gomez had a clearance.

15 MR. TUOHY: I think the question was whether
16 you recalled the language of the contract referring to
17 it, and you haven't had a chance to review it in detail,
18 so you just don't know.

19 THE WITNESS: That's right.

20 BY MR. SMILJANICH: (Resuming)

21 Q I didn't say anything about it. I just
22 wondered if he recalled anything about the discussion of
23 whether or not he needed a security clearance in
24 connection with this.

25 A Um-umm.

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Q The next contract that I have with me here -- and let me for the record state that I'm not at all asking you to assume that everything I show you is every single contract in connection with these matters. These are just simply ones that I have been able to pull from the file. I don't know whether they are complete or not. But I just wanted to refer you to some specific ones.

This next document is a contract with Mr. Gomez and your office. The date of signature is July 18, 1984. The contract amount is \$95,000. For the record --

A \$95,000? \$9,500.

Q I'm sorry, \$9,500. The first one's \$9,500. For the record, the first one I showed you, the date of signature was February 27, 1984, between Mr. Gomez and your office, for \$9,500, and the second one is for the same amount.

Take a moment and look at that. I'm not going to ask you detailed questions about it. Just look at it to familiarize yourself generally with the subject.

(Pause.)

A Yes. This looks familiar.

Q I just have a general question. Do you recall how this subsequent contract came about, any discussions about it or what led up to it?

A Well, I'm sure -- I assume that the way that

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it happened was after our, say, first trial period with Gomez, whom, by the way, we knew from referral but we didn't know how he could perform for us, we felt that he was performing very well and decided to continue the services.

So the time of the first contract was about to run out or had run out or whatever, and another contract was drawn up.

Q Okay. When did you first make the acquaintance of Richard Miller?

A I knew Richard Miller when he was in AID, and I don't remember whether he was already the Director for Public Affairs or was the Deputy Director. I believe he was Deputy Director of Public Affairs at AID before he was Director of Public Affairs.

I would say I don't recall meeting him before '82. I was already the Assistant Administrator of AID. But it could have been '81. It could easily have been '81.

Q Did you know whether or not Mr. Gomez and Mr. Miller had any connection at the time you were engaging in these contracts?

A No, I did not.

MR. TUGHEY: Would you state the question again?

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1 BY MR. SMILJANICH: (Resuming)
 2 Q Yes. At the time you were working with these
 3 initial contracts that I've shown you were you aware of
 4 any connection between Mr. Gomez and Mr. Miller?
 5 A No.
 6 Q Richard Miller?
 7 A No, I was not.
 8 Q We might as well go ahead and just run some
 9 names past you. Do you know Carl Spitz Channel?
 10 A No, I don't.
 11 Q You've never met him?
 12 A I've never met him, to my knowledge.
 13 Q Did Colonel North, to your recollection, have
 14 anything to do with discussions concerning entering into
 15 these specific contracts that I've shown you?
 16 A No, not to my knowledge.
 17 Q Let me show you a contract, date of signature
 18 of January 28, 1985, between your office and
 19 International Business Communications of Washington, D.
 20 C. in the amount of, I believe, \$24,400, and it shows
 21 contractor representative Frank Gomez. Take a moment,
 22 and again I'm not going to ask you detailed questions
 23 about it.
 24 (Pause.)
 25 A Yes.

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1 Q. How did International Business Communications
 2 come to your attention, if it did?
 3 A Yes, it did. To the best of my recollection,
 4 what happened was toward the end of '84, after we had had
 5 nearly a year of what we considered to be a successful
 6 professional relationship with Frank Gomez, I believe he
 7 came to us and said I am -- we probably wanted to
 8 continue working with him.
 9 I know we wanted to continue working with him,
 10 and he said I'm forming a corporation with Rich Miller --
 11 he probably said with Rich Miller; I don't recall, but
 12 there's no reason for him to not disclose that -- and
 13 it's called International Business Communications.
 14 And so from now on it won't be Frank Gomez
 15 that makes the proposals or has the contract, but if we
 16 want to continue the relationship it will be with IBC,
 17 which is not unusual. I thought it was for tax purposes
 18 or something, or to expand their capabilities.
 19 Q Now were these what is referred to as sole
 20 source contracts?
 21 A Yes, they were.
 22 Q In other words, you didn't put out a request
 23 for proposals or anything like that out and accept bids?
 24 A That is correct.
 25 Q You were, up to this point, very satisfied

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1 with the work Mr. Gomez was producing for you?

2 A Yes.

3 Q And his product again, just in general terms,
4 the product he was producing was papers, things such as
5 that?

6 A Papers, but not just papers. He was in very
7 frequent contact with people in my office, particularly
8 John Scafe, Jonathan Miller -- who was the COTR
9 contracting office technical representative -- with me
10 less frequently. But I would see him. If he would pick
11 up some information that he thought would be valuable and
12 we should include, he would pick up the phone and call.

13 So it wasn't just papers but it was a lot of
14 papers. It was advice. It was translations. It was the
15 kind of services described in here.

16 Q Did IBC or Mr. Gomez or Mr. Miller or the
17 people within IBC, did they do any of the actual contact
18 with the outside world?

19 A Oh, yes. They had contact with the outside
20 world.

21 Q In terms of getting the message out. That's
22 what I'm talking about -- in terms of your overall
23 objective.

24 A No. They came to us and suggested that we do
25 this or that. In some cases they had contacts, I am

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1 sure, with the outside world, but they weren't doing it
2 for us. I wanted to make sure that whatever they did for
3 us was only things that were included in the contract.

4 Q In other words, they were producing material
5 and information and whatever for your use. They were not
6 going out and acting on behalf of the Office of Public
7 Diplomacy and speaking to groups and saying we're here
8 for the Office and things such as that?

9 A Not to my knowledge.

10 Q Or making specific contact with targets, if I
11 can use that word, targets.

12 A Target audiences. Well, yes. They would
13 identify audiences and I know that there were times, for
14 example, when they would organize -- I think there was a
15 time when they set up a press conference for, say, a
16 defector. So to the extent, as I mentioned earlier, that
17 one of our target audiences, one of our audiences, was
18 the press, then, yes, they did make contact.

19 I'm remembering some now that they did make
20 contact with some of the outside groups or a reporter who
21 would have asked a question, for example, who were to
22 call the producer of a program who wanted to talk on his
23 or her show a real live Salvadoran guerrilla defector,
24 let's say. And so Frank Gomez or someone else -- not
25 only Frank Gomez but including Frank Gomez -- would take

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1 this defector over there.

2 Q Was there one person within your staff who was
3 primarily responsible for administering the Gomez and
4 then later the IBC contracts?

5 A Yes. Well, if you mean a contracting office
6 technical representative, yes. They are listed. There's
7 a requirement in these contracts that a COTR be
8 designated, and I believe every one of the contracts has
9 a name.

10 Q And the COTR would be the person within your
11 staff primarily responsible for overseeing the
12 implementation of the contract?

13 A Primarily responsible, yes.

14 Q Did any other individuals or companies come to
15 you and request the opportunity to provide services other
16 than IBC?

17 A Oh, yes, lots of people.

18 Q How did you go about determining -- that's not
19 a very clear question.

20 A I'll give you an unclear answer.

21 Q That won't do either of us any good.

22 You obviously reached the decision to continue
23 on with the services of IBC during this time period as
24 opposed to switching to other groups or allowing other
25 groups to bid on the work. My question is, how did you

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1 arrive at what I assume was your decision in that regard.

2 A Well, there were other groups or other
3 individuals that came to us offering their services.
4 Some were hired.

5 Q Name some other groups that were hired to do
6 services?

7 A Well, individuals. One that I know that has
8 been mentioned is Mark Richards, who we thought had
9 unique capabilities in press relations. Another one
10 that's been in the press is Arturo Cruz, Jr., who in my
11 opinion had a very unique perspective into the thinking
12 of the Nicaraguan government at a particular point in
13 time when he was a member of it -- people like that.

14 There were other individuals -- I forget their
15 names -- people who wrote papers for us, for example, on
16 a particular subject -- terrorism. There's a whole list
17 of contractors. We had, by the way, a lot of people who
18 came and frankly we did not like their proposals. Either
19 they were things that we could already do in-house or we
20 didn't think they were qualified or they were very
21 expensive.

22 You know, people would come and say I can win
23 the war for you in Central America if you give me a \$2
24 million contract. You know, obviously they weren't
25 serious. I'm using that as a humorous statement.

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1 Q I understand.
 2 A That's it.
 3 MR. SMILJANICH: Off the record for a second.
 4 (A discussion was held off the record.)
 5 MR. SMILJANICH: On the record.
 6 BY MR. SMILJANICH: (Resuming)
 7 Q Mr. Ambassador, we just had a discussion off
 8 the record about how much the total amounts of the
 9 contracts were for both IBC and Mr. Gomez. Would you
 10 agree that as a very approximate ballpark figure \$400,000
 11 as a total contract amount sounds about right?
 12 A It sounds about right.
 13 Q We're putting Mr. Gomez and IBC together as
 14 one group, although I realize that technically we're
 15 dealing with a corporation as opposed to an individual,
 16 but putting them together. Was there any other company
 17 that had a similar amount, a similar contractual amount
 18 as IBC and Mr. Gomez?
 19 A No.
 20 Q Understanding you don't have any records in
 21 front of you to specifically refresh your recollection,
 22 can you think of who would have been the second in terms
 23 of the total amount of contracts?
 24 A No, I don't.
 25 Q Can you think of an approximate ballpark

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1 amount of what the second-largest collection of contracts
 2 would be?
 3 A I would say it probably would have been Mark
 4 Richards.
 5 Q And approximately how much was the value of
 6 his contract?
 7 A I don't remember.
 8 Q Less than \$100,000?
 9 A Well, he worked for us as a contractor for
 10 over two years. He might have gotten ---
 11 MR. TUOHY: You don't want to speculate. Do
 12 you know?
 13 THE WITNESS: No.
 14 BY MR. SMILJANICH: (Resuming)
 15 Q If you know. So it would be fair to say that
 16 IBC, even excluding Mr. Gomez, that IBC was the largest
 17 contractor for LPD during your tenure?
 18 A Yes. It appears that way.
 19 Q Do you recall how and when the subject of
 20 security clearances ever came up in connection with IBC?
 21 A Yes.
 22 Q Tell me about it.
 23 A I've tried to reconstruct this. I knew you
 24 would be interested in it. First of all, Frank Gomez had
 25 been handling, let's say dealing, with defectors for us,

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1 taking them around, for a long time. But sometime in the
2 summer of 1985 we started getting

3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 Q Okay. Stop. Let's go off the record a
7 second.

8 (A discussion was held off the record.)

9 THE WITNESS:

10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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Jonathan Miller had left, who had been the COTR for most of the IBC contracts.

In Jonathan Miller's absence --

MR. TUOHEY: Can we step outside for just a second?

(Witness conferring with counsel.)

MR. TUOHEY: I just want to explain something, and this can be on the record. One of the confusing aspects of this period of time, which the Ambassador will explain in some detail and you can ask him anything you want about it, I just want to make sure the record is clear because none of us know where this transcript is going when it leaves this room.

MR. SMILJANICH: I can answer that.

MR. TUOHEY: Eventually. The Ambassador is going to explain that at the time these conversations and the ultimate decision to tell Gomez to handle this matter was taken care of, there was a contract proposal on the table not yet approved. It's the contract which is later classified as Secret, which I'm sure you are going to ask questions about. But that's on the table and, as the Ambassador will explain and I just want clear on the record, in the time sequence, at the time the decision was made to allow Mr. Gomez or his entity to handle this matter, thereby committing funds of the Department of

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State, the contract proposal on the table to handle just such a situation, defectors, the decision was made to go ahead and have Mr. Gomez handle it, even though the contract was not approved.

The Ambassador will tell you he did it on the advice of others. But that's the sequence we're in. It's a very confusing time and I just want that clear. I'm not trying to testify in his behalf. He will explain it in detail, but I just want you to understand the period.

BY MR. SMILJANICH: (Resuming)

Q I appreciate that and I think, you know, the Ambassador, as he goes through the narrative, you know, he's approaching this, which is frankly what I would like, a general narrative approach to this. If you want to explain the context or I would assume you would want to talk about some of the matters your counsel just referred to, please go ahead.

I just want to get your overall story about this.

A What I started to tell you was that when Jonathan Miller had been the COTR, had left the office, let's say September 85 -- Labor Day, is what I mentioned earlier, around that time -- the position was vacant. The second Deputy position was vacant. I asked a

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1 detailee, one of my detailees from the Defense
2 Department, an Air Force Lieutenant Colonel, to help me
3 deal with the bureaucracy in the management of contracts
4 in general.

5 Q Please give me his name.

6 A Jake Jacobowitz -- actually David, but we
7 never called him David. Colonel Jacobowitz, therefore,
8 started dealing with the contracting office on what
9 became the final IBC contract. What else?

10 Q Go ahead.

11 [REDACTED]
12 A Okay. Sometime in the fall of '85, sometime
13 after September -- I believe October or November -- and
14 this has all been reminded to me, you know, because of
15 all the various questions I've been asked by different
16 people -- Jacobowitz came to me and said somebody
17 suggests -- and who the "somebody" is is not clear in my
18 head, if he ever told me -- it has been suggested that
19 this contract be classified because of the handling of
20 defectors.

21 Q And again this conversation with Mr.
22 Jacobowitz is in approximately what time frame?

23 A [REDACTED]
24 [REDACTED]
25 [REDACTED]

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1 [REDACTED]
2 Q [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]

9 Q I think, as I recall, that's kind of where you
10 left off the story, and, as I say, you can tell it in any
11 fashion you want to, but I want to make sure we get back
12 to that because we haven't gotten yet to Mr. Gomez
13 getting involved in this.

14 A We were kind of in a bind, frankly.
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 The seventh floor tells me it's your problem,
22 you handle it. Someone suggested -- I'm not even sure,
23 frankly, that it was my idea; it was probably somebody on
24 my staff -- let Frank handle it. Frank has proven
25 himself very capable of handling defectors, and he did.
He spoke the language as a native. He knew the region.

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He was very good at dealing with people, with those kind of people under stress.

Q This is what your counsel was referring to,

the fact that there was at this same time the process of negotiating and entering into a new contract?

A That's right. That's correct, which was not at that time classified, because we had never classified it before. But because of the concern which we had always had

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10 TOTAL

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1 Q Was there a primary source of this information
2 from the Agency? Was it [REDACTED]

3 A I don't think it was [REDACTED] himself. It
4 was people under him.

5 Q Go ahead.

6 A So they said something to the effect of get
7 ready and, frankly, I thought well, this is good because
8 these people are resources and they will prove that what
9 the Administration is saying is true about Soviet-Cuban
10 presence in Nicaragua or human rights violations. [REDACTED]

11 [REDACTED]
12 or the other elements of the lines of
13 arguments we were following.

14 So I said, great, let the defectors come. But
15 it concerned me, of course, a great deal that the
16 Sandinistas were also aware of this and the damage that
17 was being done to their government by the statements of
18 these defectors and were perfectly capable of killing
19 them, as in effect they had killed a lot of people.

20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 We had no money. I mean, I couldn't

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1 go up to SSEX and say, hey, I need money for a coat.
2 They would say, that's not in the budget.

3 [REDACTED]
4 [REDACTED]
5 And I think that's a disgrace, frankly -- the
6 fact that the most powerful country in the world is not
7 prepared to deal with the people who trust their lives to
8 us, and it doesn't surprise me at all what happened with
9 Yurchenko, the Soviet defector, who went back. He
10 figured, you know, these guys are so disorganized I don't
11 want to be associated with them.

12 MR. TUOHY: You were talking about the
13 process by which the decision was made to classify it.

14 THE WITNESS: When, I believe, Jake came to me
15 -- I say "believe" because to the best of my recollection
16 he was the one who came to me, and, by the way, he has
17 told me that that's what he also believes -- and said
18 this should be classified, I said fine, go get it
19 classified.

20 BY MR. SMILJANICH: (Resuming)

21 Q Okay. Now the fact that you were going to
22 contract with IBC for services that included handling of
23 defectors was something that was already on the table at
24 the time this particular subject came up about this
25 particular defector; is that right?

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1 A Yes. And they had already done it before.

2 Q And they had already done it before in the
3 previous contract?

4 A Yes.

5 Q Now in the middle of your story you said you
6 wanted to add something.

7 A

8 [REDACTED] we have no kitty. Maybe that
9 shouldn't even be in here, because I think it's so
10 embarrassing to the United States that it would
11 discourage future defectors. If I was a potential
12 defector, I would think twice.

13 Q We'll worry about that.

14 The previous defectors that Gomez and IBC had
15 helped you out with, the problem with regard to security
16 clearances hadn't come up in connection with those
17 services?

18 A No.

19 Q During these discussions you have just related
20 leading up to a decision to classify this contract was
21 there any discussion, to your recollection, with anyone
22 about the relationship between the classification of the
23 contract and the requirement to go outside of a sole
24 source approach to this matter?

25 A Not to my recollection.

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1 Q Specifically, for example, were there any
2 discussions that in order to issue another sole source
3 contract the matter had to be classified?

4 A No.

5 Q Nobody brought that up with you?

6 A Not that I can remember.

7 Q Now this last contract -- and I'm not even
8 sure I have it; I don't think I have it with me -- this
9 last contract with IBC -- and it was the last contract
10 with IBC, wasn't it, that we're talking about?

11 A That's right, the \$276,000.

12 Q That would have run from approximately when to
13 approximately when?

14 A Fiscal year '86, so October 1, '85-September
15 30, '86, I believe.

16 Q Now there's evidence -- first of all, was the
17 contract signed in '85 for fiscal year '86? Was there a
18 signed contract?

19 A My understanding, after the fact, is that the
20 contract was signed in August of '86.

21 Q Now why was there a gap between the
22 preparation of the contract and the actual signing of it?

23 A Well, here I have a lot of problems answering
24 because I left the office in January of '86, when the
25 contract was still being negotiated, and it was not

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1 signed for several months later.

2 Q Was IBC performing services from October '85
3 to the time you left in January '86 pursuant to that
4 contract?

5 A It appears that they were. It appears that
6 they were performing services in anticipation of the
7 signing of that contract.

8 Q And do you know what it was that was taking
9 place during the time frame of September-October of '85
10 to January of '86 that prevented there being a final
11 signed contract? What was going on?

12 A What I was told was -- and I asked -- was that
13 there were a lot of bureaucracy problems. I didn't deal
14 personally directly, as I said, with the contracting
15 office or any other office. This was a very busy time
16 and we're dealing with a lot of different issues, and
17 this was only one. I'd say it was maybe one percent, two
18 percent of what took up my time.

19 But Jake Jacobowitz would keep coming back to
20 me saying well, now we need another piece of paper, and
21 now they need this and now they need a site security
22 clearance, now they need this.

23 Q Who is "they"?

24 A Well, "they" would be different. See, "they"
25 was anybody outside our office practically because we

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1 dealt with a lot of different people, different offices
2 and different individuals. I mean, there was so much
3 turnover. One day we'd be dealing with the contracting
4 officer, with one person, and the next day it could be
5 somebody else. So I didn't even bother to learn the
6 names, except, you know, the supervisors.

7 Q But the entity dealing with the negotiations
8 or working up this contract was the contracting officer
9 entity outside your LPD staff; is that right?

10 A Among others.

11 Q Among who else?

12 A Well, this is what I'm not clear, because
13 "they", as I say, "they" included the contracting
14 officer. At times it included the legal people.
15 Sometimes it included security people. At one point the
16 Office of Security had to be involved because we were
17 told or they told us -- "they" being I don't know which
18 one of those entities -- told us that IBC was going to
19 need a site security clearance if they were going to have
20 -- if the contract was going to be classified.

21 So "they" referred to a lot of different
22 people. And Jake Jacobowitz or his predecessors and
23 successors were the ones who dealt with "them".

24 Q And his predecessor was Jonathan Miller?

25 A No. Yes and no. His predecessor --

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1 Q On this subject.

2 A Well, his predecessor -- that is to say, the
3 liaison officer with IBC -- was Jonathan Miller. But not
4 his predecessor as liaison with the contracting office.
5 What happened was our administrative officer, Frank
6 Gardner, who was one of a whole series of administrative
7 officers we had in a short period of time, left the
8 office about the same time Jonathan Miller did. He
9 retired after many years, after 40 years.

10 It was a coincidence. So I had a double-bind.
11 Not only did I lose my contracting office technical
12 representative, I lost my administrative officer just
13 about within weeks or days of each other. And Jake
14 Jacobowitz frankly ended up with both of those
15 responsibilities dumped on him, willingly. I mean, he
16 volunteered. I'm not saying that I chained him and said
17 you have to do this. He was willing to do it because he
18 knew the job had to get done, and I don't think anybody
19 anticipated having this many problems.

20 We thought it was a matter of getting all of
21 the proper forms signed, all the proper procedures, and
22 eventually, like all the other contracts, this one would
23 also be signed.

24 Q To your knowledge was there any other fact --

25 A Can I add something on the administrative

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1 officer business?

2 Q Please do.

3 A I think it's important -- and I'm not trying
4 to dump on the State Department, but since I'm here and
5 this is not the normal position of an Ambassador of
6 having to come and explain all these things -- when the
7 office was created I did not know what it was going to
8 turn out to be like. As I said, I was the only person in
9 the office for a while, and then people started coming.
10 It started growing. It started becoming more and more a
11 source of information that people turned to.

12 And without blowing our own horn, it got to
13 the point where the President of the United States, the
14 Secretary of State, the National Security Advisor,
15 Cabinet officials and lots of other people relied on our
16 information and used it verbatim. I mean, it was that
17 good. My principal concern, frankly, was the credibility
18 of our product. That's what I spent most of my time on.

19 I'm not a contracting officer. I'm not a
20 lawyer. I couldn't possibly substitute for the people I
21 thought were supporting us, you know, our principal job,
22 which was to get information out that was credible and
23 that was accurate, et cetera.

24 So at a point when the office started growing
25 -- I think late '83 -- I said I can't handle all of this

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1 administrative stuff. I need an administrative officer,
2 in the office as part of the staff. We had not
3 anticipated this because this was a brand new office, the
4 only Office of Public Diplomacy that has ever existed,
5 had ever existed until a couple of years after that. And
6 there were so administrative requirements in our office -
7 - I mean, even things like they'd ask me, for example,
8 for job descriptions for each one of the people. I said
9 I don't have time to write up job descriptions.

10 They asked me to draw an administrative, a
11 diagram of where everybody fit.

12 Q An organization chart?

13 A An organizational chart and all these things.
14 I said who's going to do the public diplomacy job while I
15 do this kind of thing? So I said, listen, please give me
16 as one of the detailees from somewhere, give me somebody
17 who's knowledgeable in administration. State couldn't
18 come up with one. AID came up with Matthew Friedman. In
19 other words, what I did was I would call the four
20 agencies that I had been told would support me, and the
21 first one that came up with some administrative support
22 was AID, so Matthew Friedman came.

23 Unfortunately for Matthew Friedman and for us,
24 he also didn't know State Department administrative
25 procedure because he was a political appointee who had

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1 done some administrative work at AID and who volunteered
2 to do it for us, and who was very bright and picked up
3 very quickly, but then he left sometime in, around Labor
4 Day of '84 as opposed to -- I don't know why people
5 decide to leave around Labor Day, but it's a logical time
6 at the end of the summer.

7 We were without administrative support -- I
8 would say I would have to go back and look at the records
9 -- but I would say for at least half the time that the
10 office was in operation and I was the director of it.
11 That is not conducive to good management. I asked
12 repeatedly for and I begged, I pleaded, for an
13 administrative officer to be assigned to the office
14 precisely so we would avoid contract problems.

15 We were contracting out for services. We were
16 awamped with requests for this, that, and we didn't have
17 anybody in house who could do it. The support we were
18 getting from SSEX, which was the office that I was told
19 would support us, was not adequate and, in fairness to
20 them, they never expected that they would have to support
21 us. They also had the Office of the Special Envoy, the
22 Kissinger Commission, all these other offices were
23 created just for Latin America, in addition to all the
24 other offices that they had to support for the rest of
25 the world that were just created. They were swamped.

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1 Eventually I got a State Department
2 administrative officer. I don't even remember who he was
3 at the time. We had a series of very short-term people.
4 We had a young lady who all of a sudden got assigned to
5 Rome, so she left, so we were vacant. We had a young
6 man, very bright, who got a job in INR. Brent Blasky was
7 his name. If we could have kept him we probably wouldn't
8 have had any problems at all, because he knew the system.

9 There were long periods of vacancies. This
10 was one of the periods of vacancies -- as a matter of
11 fact, three months.

12 Q It sounds like you had an easy go of it. Was
13 there, to your knowledge, any other factor other than
14 what you have described involved in the decision to
15 classify the final IBC contract?

16 A Not to my knowledge or not to my recollection.

17 Q Did anyone -- I apologize; I think I asked you
18 this in connection with Mr. Gomez, but let me ask you
19 about IBC, and particularly, specifically, the final
20 contract with IBC -- did anyone other than IBC which
21 would have wanted to have a contract, did anyone other
22 than IBC come to you or bring any information to you
23 asking that IBC be allowed to have another contract for
24 fiscal year 1986?

25 A No, not that I can remember.

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1 Q Let me just ask the general question. Did
2 Oliver North, Lieutenant Colonel North, have any
3 involvement at all in any of the discussions about
4 security clearances or the contracting for services with
5 IBC, to your recollection and knowledge?

6 A I have been trying to think. I anticipated
7 that question, and it is possible that he may have asked
8 me about it once very late, but I'm not even sure of
9 that, and that would not have surprised me because people
10 knew that Gomez particularly was doing work for us and
11 had done a good job.

12 But the reason I say I can't remember is
13 because a number of people were aware of the IBC-Gomez
14 relationship at the NSC, people who had a need to know
15 and who knew about it and who were satisfied. And they
16 may have asked about it as well, like what's happening or
17 what's Frank Gomez up to and that kind of thing, but it
18 would have been that kind of an inquiry, not any pressure
19 or anything like that.

20 Q Did you have any belief or even a suspicion
21 that Colonel North had a connection with or reason to
22 wish that IBC or its people would get a contract with the
23 State Department?

24 A I had only one occasion where I very late,
25 right before leaving for Venezuela, during my

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1 consultations long after leaving the S/LPD, when I was at
2 the National Security Council in the Old Executive Office
3 Building, and I happened to walk into North's office --

4 Q Excuse me for interrupting. Are you talking
5 about when you were Ambassador?

6 A I was Ambassador-designate. I can't remember
7 the date, but I would think it would have been April or
8 May already, right before I left. I was sworn in May 12
9 and left May 16, so it would have been before that. I
10 walked into North's office unannounced and saw Miller and
11 Gomez walking out. But, once again, you know, at that
12 time I didn't give it much thought because they were
13 sources of information for us on Central America.

14 Everybody knew that Ollie North was working on
15 Central America. It seemed like a logical connection.

16 Q Now I've gotten confused here. You said this
17 would have been approximately April or May of '86?

18 A Right, right before I left.

19 Q I thought that you were originally told you
20 were going to become Ambassador or designated Ambassador
21 in late '85 and it was January of '86 that you were
22 confirmed?

23 A That's correct -- no, no, that I was
24 announced. See, what happened -- can I give you the
25 chronology?

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1 Q Please, go ahead.

2 A I knew in approximately May '85 --

3 Q '85?

4 A '85, yes. This took a long time. It took a
5 year. May '85 was my first conversation with Secretary
6 Shultz and the White House about Venezuela. It took a
7 long time for them to make up their minds, et cetera, et
8 cetera. In August '85 President Reagan signed the
9 internal memorandum that said my choice is Otto Reich,
10 but check him out or whatever it is they do. I never saw
11 the memorandum. The FBI clearance then starts and all
12 that.

13 December '85 -- it took four months, and part
14 of the problem was we had the Geneva summit with
15 Gorbachev and that paralyzed -- that slowed down the
16 Executive branch, and in December '85 the President then
17 called me and said, you know, I want you to be Ambassador
18 to Venezuela. It took another month, however, for the
19 public announcement and transmittal of the papers to the
20 Senate.

21 I didn't think that I should leave my office
22 until the public announcement. But, for your
23 information, I was preparing myself to be Ambassador to
24 Venezuela from even before the time the President signed
25 the memorandum in August. I was reading Venezuelan

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1 history books and economics and stuff and trying to run
2 the office. So January of '86, when the announcement was
3 made, I then by memorandum informed everyone in the
4 Department that I was no longer the coordinator.

5 I wrote a memo to my staff saying the
6 President has appointed me, as you know. I mean, I had
7 told them before. And said some nice things about them,
8 at cetera, et cetera, and said John Blacken will be
9 Acting Coordinator until a new coordinator is appointed
10 by the Secretary, the President, whoever.

11 So from January of '86 to May of '86 I
12 concentrated on my confirmation hearings and getting out
13 of here. It takes a while. During that time I visited
14 people in the Executive Branch -- Commerce Department,
15 Treasury, everybody that would have something to do with
16 my Venezuela assignment. During one of those visits to
17 the NSC is when I happened to see these guys come out of
18 Ollie's office.

19 Q Were you there to see North?

20 A No, I didn't have an appointment with him that
21 I recall because, frankly, he wasn't going to have
22 anything to do with Venezuela that I knew of. But I
23 always used to drop by and say hello to Fawn, you know.
24 She was a friend. Poor Fawn. She's gotten a bad rap and
25 doesn't deserve it.

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1 Q I don't feel so sorry for her. She's gotten
2 some nice publicity.

3 MR. OLIVER: She's also got immunity.

4 THE WITNESS: So the best of my recollection -
5 - and, as I said, it was not the kind of thing that would
6 have stuck in my mind. So it's vague, but it's around
7 that time, I would say.

8 BY MR. SMILJANICH: (Resuming)

9 Q Now during that time period of getting
10 prepared to be confirmed as Ambassador to Venezuela, one
11 of the things you were doing was starting to get familiar
12 with the cable traffic to and from Venezuela?

13 A Yes. I started reading cable traffic.

14 Q When did you start that process?

15 A I believe I started reading cable traffic -- I
16 believe I started reading cable traffic in the fall of
17 '85. Wait a second. I must have because in January of
18 '85 I said I don't want to see another cable about
19 Central America that doesn't have to do with Venezuela.

20 MR. TUOHY: '85 or '86?

21 THE WITNESS: '86, when I was officially
22 nominated, because I wanted everybody -- I knew what was
23 going to happen. People were going to still come to me
24 and say could you do this, could you do that, and I was
25 going to say no, I'm sorry.

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1 BY MR. SMILJANICH: (Resuming)
2 Q But you think it was prior to January of '86
3 that you started reading the traffic?
4 A Yes. I'm almost definite. Yes. As I said, I
5 started to get ready for Venezuela in about August of
6 '86, and I started reading cable traffic.
7 MR. TUOHY: August of '85, you mean.
8 THE WITNESS: August of '85.
9 BY MR. SMILJANICH: (Resuming)
10 Q Who was the prior Ambassador to Venezuela?
11 A George Landau -- L-a-n-d-a-u.
12 Q Was there a hiatus between his leaving and
13 your coming?
14 A Eleven months.
15 Q Who was the DCM during that period?
16 A The Charge, Kim Flower, as in a rose.
17 Q Okay. And that was an eleven-month period?
18 A That's correct -- June of '85 to May of '86 --
19 incredibly long.
20 Q Kim is a neutral name.
21 A A man.
22 Q Were you involved at all in the process or
23 discussions leading up to the switch of LPD from the
24 Secretariat to ARA?
25 A Yes, I was.

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1 Q How did that come about?
2 A Well, I don't remember exactly, but it was
3 something to the effect of somebody in the Secretariat --
4 I believe it was Nick Platt, Nicholas Platt -- said we
5 can't have, and he used a term which I objected to,
6 growths and polyps attached to the office -- but it was
7 descriptive -- attached to the Office of the Secretary
8 because, he says, we just can't support them all. He was
9 right.
10 He was right from the administrative
11 standpoint. I said if you remove the office from the
12 Office of the Secretary, these public diplomacy
13 operations, you're going to downgrade them in everybody's
14 minds and they won't have the kind of political support
15 from the other agencies that they need, detailees, et
16 cetera.
17 So there ensued a discussion of several months
18 where the Deputy Secretary, John Whitehead, was involved
19 as to what do we do with these offices. By that time the
20 South Africa Bureau had started one based on what was
21 then called the extremely successful example of the
22 Office of Public Diplomacy for Latin America and the
23 Caribbean. I'm going to keep that clipping. And there
24 were several options considered -- for example, attaching
25 them to the Bureau of Public Affairs, creating or

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1 attaching them to the regional bureaus, a lot of
2 different things which I don't remember.

3 But what was finally decided -- and I think it
4 was decided during the period between January and May of
5 '86 -- was to attach S/LPD to ARA and we became ARA/LPD.

6 Q Now at that time Elliott Abrams was Assistant
7 Secretary of ARA.

8 A That is correct.

9 Q Did you have any discussions with him about
10 the fact that ARA didn't want LPD transferred over there?

11 A Oh, sure, yes.

12 Q What were the reasons he gave you?

13 A Oh, he agreed with me, for example. Budget
14 was one reason. By that time our office had a budget of
15 something like \$750,000 -- I don't remember -- and the
16 staff. I was concerned that the budgetary constraints
17 being what they are if the budget was transferred from
18 the Secretary, which is a very high priority, to a
19 regional bureau that the office would eventually shrink.

20 I thought, frankly, we had broken ground. I
21 thought we had done something that the U. S. Government
22 should do more of, and that is to talk directly to the
23 American people, to communicate with the American people,
24 to produce information. I was very upset with, and I
25 communicated this to my superiors back in '81, '82, '83,

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1 which is why I got the job, that so many of our officials
2 would go to the Congress and be asked something about
3 Central America and say sorry, I can't share that with
4 you because it's classified information.

5 Now it's true, and everybody who has a
6 clearance knows, that there are sources and methods to be
7 protected, but I also knew that with a concerted effort,
8 with a lot of work, and with some high priority that you
9 could get the intelligence community to declassify and
10 you could also go out to the unclassified world and
11 gather information that would support what we already had
12 but that was classified.

13 MR. TUOHY: The question, though -- we're
14 getting off the question -- is did you agree with Abrams
15 and, if so, why?

16 THE WITNESS: Yes, I agreed because I thought
17 the office would be downgraded by virtue of the budget
18 and the positions that eventually the Bureau would have
19 to absorb. The ARA Bureau would have to absorb the
20 budget and the positions and it would atrophy.

21 BY MR. SMILJANICH: (Resuming)

22 Q Getting back to one of the initial topics we
23 discussed -- that is, the overall objectives of the
24 Office of Public Diplomacy -- and I hope that this isn't
25 too much of a loaded question and tell me if it is -- was

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1 part of your objective during this time frame -- as you
2 know, we're talking about right in the middle of the
3 severest form of the Boland Amendment, complete cutoff of
4 funds, was part of your overall objective or job to try
5 to get Congress to change its mind about that matter and
6 to start funding?

7 A It was to support the Administration's
8 request.

9 Q To get Congress to fund further in that area?

10 A Yes.

11 MR. SMILJANICH: Okay. Off the record.

12 (A brief recess was taken.)

13 MR. SMILJANICH: On the record.

14 BY MR. SMILJANICH: (Resuming)

15 Q I was going to move on to Venezuela, but let
16 me back up for a second. You have described one occasion
17 in which you happened to be over where North's office was
18 at the Old Executive Office Building and saw Gomez and, I
19 believe, Richard Miller, I think you said, there. What
20 happened in that connection? Did you all then have a
21 general discussion?

22 A I was in the building. I stuck my head in
23 like I always used to stick my head in to a lot of people
24 if I happened to walk by their office, and they were
25 walking out, and I said what are you guys doing,

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1 something to that effect. And whatever it was that was
2 said I don't remember.

3 Q Were you ever at a meeting in which Lieutenant
4 Colonel North and -- let's start with Frank Gomez --
5 Lieutenant Colonel North and Frank Gomez were both in
6 attendance?

7 A No, not that I can recall ever, a meeting of
8 that kind.

9 Q Were you ever at a meeting in which Oliver
10 North and Richard Miller were in attendance at the same
11 time?

12 A No. I just want to explain that I attended a
13 lot of meetings. Some of them were very large meetings.
14 They may have been in the same room, but I do not ever
15 recall seeing them in the same room.

16 Q I want to be fair. I'm not talking about a
17 group of 100 people and maybe the two of them were there.
18 I mean a meeting of a smaller group, let's say five or
19 less.

20 A No.

21 Q Or ten or less.

22 The Committee has had access to the calendar
23 of Lieutenant Colonel North and there are a few occasions
24 in which he shows reflected on his calendar an
25 appointment or a meeting -- of course, you can't tell if

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1 this is before the fact or after the fact -- an entry of
2 meetings in which it shows Otto Reich, Richard Miller,
3 Frank Gomez.

4 A Together?

5 Q Yes. As an example, a date which he shows on
6 his calendar -- Reich, Gomez, Miller. Now maybe Miller
7 is Jonathan Miller on occasions, but that shows up on his
8 calendar. Let me make that representation to you and
9 just ask you if you can recall any occasions where that
10 took place. I know I've already asked you, but given
11 that information is there any further recollection you
12 have of any such meetings?

13 A No.

14 MR. TUOHEY: Do you have the calendar and we
15 could pinpoint the date?

16 MR. SMILJANICH: As a matter of fact, Spencer
17 has a summary of the dates and he can give you some
18 specific ones.

19 THE WITNESS: You mean there's more than one?

20 MR. OLIVER: These are dates when you appear
21 on his calendar. I don't know who else is in the
22 meetings during those times.

23 THE WITNESS: I would probably appear on his
24 calendar.

25 BY MR. SMILJANICH: (Resuming)

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1 Q Let me make it clear my questions were not
2 just every time you met with Colonel North. I'm talking
3 about combining it with these other people, and I think
4 there are a few we can pinpoint.

5 MR. OLIVER: You want me just to read these?
6 I have the actual calendar. February 11, 1985.

7 BY MR. SMILJANICH: (Resuming)

8 Q February 11, 1985, at 1530 we show a meeting
9 with Raymond, Reich, Miller and Gomez, and again Miller
10 is not necessarily Richard Miller.

11 A Probably wouldn't have been Richard Miller.

12 MR. OLIVER: We show on June 5 at noon lunch
13 with Rich Miller, Frank Gomez, Jonathan Miller and Otto
14 Reich at the IBC office.

15 MR. TUOHEY: June 5, '85?

16 THE WITNESS: I remember that.

17 MR. OLIVER: We show on January 27, 1986,
18 lunch with you at the State Department.

19 THE WITNESS: Right. I took him out to lunch.

20 MR. OLIVER: Were Rich Miller and Jonathan
21 Miller at that lunch?

22 THE WITNESS: No, neither Miller. It was
23 Ollie and myself.

24 MR. TUOHEY: Does the calendar reflect
25 otherwise?

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1 MR. OLIVER: It's confusing whether there was
2 a meeting with Rich Miller which may have been just
3 before the lunch.

4 THE WITNESS: He was not at the lunch.

5 MR. OLIVER: That's what I have on the
6 calendar. I've got Ollie's notes here that have a number
7 of reflections.

8 BY MR. SMILJANICH: (Resuming)

9 Q So what we end up with here is --

10 MR. TUOHEY: Two definitely.

11 THE WITNESS: Lunch I can tell you for sure.

12 MR. TUOHEY: February 11, '85 and 3:30 --
13 Raymond, Reich, Miller, Gomez -- June 5, '85, in the IBC
14 office -- North, Miller, Reich, Gomez for lunch is what
15 was on the calendar.

16 MR. OLIVER: Right. There's another one here.

17 MR. SMILJANICH: I remember this now. Well,
18 I'll show it to him.

19 (Document handed to the witness.)

20 THE WITNESS: Yes. I remember this.

21 MR. TUOHEY: Is there any date on this?

22 MR. SMILJANICH: No, there's no date.

23 BY MR. SMILJANICH: (Resuming)

24 Q Okay. Let's approach each one one at a time.
25 First of all, you recall the lunch. Tell us about that.

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1 A To the best of my recollection, Ollie never
2 showed up, which was not unusual. So I wouldn't have
3 remembered him -- at the IBC lunch. And, once again,
4 it's one of those things which is vague, but I remember
5 we waited and waited and everybody got hungry and we
6 decided Ollie is not going to come, and so we ate without
7 Ollie and he never showed up, to the best of my
8 recollection.

9 That must be the same lunch where I had John
10 Scafe go with me because I didn't want to go. I think
11 Jonathan Miller used to go to those meetings, being Mr.
12 Outside. Since Frank Gomez was going to be involved, I
13 thought John Scafe would be a logical person to go
14 because Miller couldn't go for some reason -- although,
15 is Miller in on the lunch?

16 MR. OLIVER: Yes.

17 THE WITNESS: Maybe Scafe went in place of
18 Miller. I don't remember that one, but I don't recall
19 ever having lunch with Ollie North at IBC.

20 BY MR. SMILJANICH: (Resuming)

21 Q Do you recall why Ollie North would have been
22 invited to that lunch?

23 A No, I don't. He was not invited by us. We
24 were not hosting the lunch.

25 Q Okay. We have 2/11/85. Let's start with

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1 2/11/85 at 3:30 in the afternoon -- Raymond, yourself,
2 Miller and Gomez.

3 A I have no recollection of that. Now Walt
4 Raymond I met with all the time, and Ollie North I met
5 with all the time. Miller in that case probably would
6 have been Jonathan because, as I said, I don't remember,
7 other than the time when I saw Rich Miller coming out, I
8 don't remember seeing him at any other meeting. But I
9 just have no recollection.

10 Q Okay. Then June 5, '85.

11 A Isn't that the lunch?

12 MR. TUOHY: That's the one we just talked
13 about.

14 MR. OLIVER: We have two separate lunches. We
15 have lunch -- I'm sorry. That's Jonathan Miller. This is
16 Rich Miller. Frank Gomez, Jonathan Miller and Otto Reich
17 at the IBC office, June 5, 1985.

18 THE WITNESS: I remember having lunch there.
19 I remember having lunch at the IBC offices, I believe
20 twice -- twice, period. And so that must be one of those
21 times. Now I don't remember Ollie North ever showing up
22 at any one of those lunches.

23 BY MR. SMILJANICH: (Resuming)

24 Q So what we have, then, is one appointment that
25 shows up on North's calendar for February 11 of '85 which

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1 you just have no recollection of.

2 A Which may have taken place.

3 Q And that wouldn't have been the one where you
4 saw Rich Miller and Gomez coming out because that was
5 much later, when you already knew you were going to
6 Venezuela, right?

7 A In '86, right.

8 Q Okay. Now moving on to Venezuela, first of
9 all, you've seen the press reports concerning alleged
10 attempts by General Secord to receive some kind of
11 assistance from the Embassy in Caracas to approach the
12 Venezuelan Air Force for purchase of some C-123s.

13 A I have seen them. I wish I could bring you
14 the front page of every Venezuelan paper of that week,
15 because that was the story.

16 Q First of all, the time frame when this is
17 supposed to have occurred is, as I recall, very late '85-
18 early '86.

19 A I don't know. All I know is what I've read in
20 the paper, and it said fall of '85. Most of the stories
21 I have read have said fall of '85.

22 Q For your benefit, I've seen other documents in
23 other matters connected with that, and I believe the time
24 frame of these alleged events is the fall of '85 until
25 early '86. First of all, you don't have any direct

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1 knowledge or information concerning any approach by
2 General Secord or anybody on his behalf in connection
3 with these purchases of C-123s?

4 A I do not.

5 Q Who is your DCM?

6 A Jeffrey Davidow.

7 Q Did Kim Flower leave as DCM when you became
8 Ambassador?

9 A That's correct.

10 Q Have you at any time up to today talked with
11 Kim Flower to determine whether or not he has any
12 recollection of this event?

13 A Yes, I did.

14 Q And when did you talk with him?

15 A I talked to him on the phone about a couple of
16 months ago.

17 Q Where is he now?

18 A National Security Council.

19 Q Detailed from State as a career Foreign
20 Service Officer?

21 A That's correct.

22 Q What did he tell you he knew about it?

23 A He said he knew absolutely nothing about it
24 and in fact I called him because I told him that this was
25 a very big issue in the Venezuelan press, and we were

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1 getting all kinds of questions and, of course, the
2 implications were that not only was the Embassy involved
3 but the Venezuelan government was involved, and the
4 headlines were written in a very inflammatory fashion.

5 And wanted to, frankly, put an end to the
6 story that was damaging U.S.-Venezuelan relations. And
7 he said I'm telling you you can tell them that I knew
8 absolutely nothing. As far as I know, that never
9 happened, or words to that effect.

10 Q Have you discussed this issue with any
11 Venezuelans to determine whether or not they know
12 anything about any such approach that may have bypassed
13 the Embassy?

14 A Well, the Foreign Minister, and he said that
15 they have absolutely no -- in fact, he made a public
16 statement that the Venezuelan government was never
17 approached.

18 Q Have you ever discussed this with anyone
19 connected with the Venezuelan Air Force?

20 A No, I have not.

21 Q Has anyone on your behalf done that?

22 A No, I don't believe so.

23 Q You were requested -- by "you" I mean the
24 State Department was requested to search its cables.

25 A That's correct.

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Q To determine whether or not anything shows up in the cable traffic about this, and I believe you sent a cable back to the Legal Advisor's office at State Department that you made a search.

A I was in Washington at the time and so Davidow sent it.

Q Your officer at the Embassy sent a cable stating that a search had been made and that no such cables could be found?

A That's what I'm told.

Q Okay. That's simple enough. Do you have -- and these are relatively new allegations -- do you have any information or knowledge concerning any attempt by Oliver North or anyone else connected with the U.S. Government to

A I believe [REDACTED] no knowledge whatever.

Q Have you heard those allegations?

A Only since I arrived in Washington. My desk officer told me.

Q Okay. Off the record.

(A discussion was held off the record.)

THE WITNESS: I know absolutely nothing.

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BY MR. SMILJANICH: (Resuming)

Q Let me turn it over to some other people with just two last quick questions. Did you ever have any dealings with Robert Owen?

A No. I met Robert Owen in Jonathan Miller's office, which was next to mine. I met him once or twice.

Q During the time Jonathan Miller was over at the NSC, did you have any knowledge during that time that he was assisting Lieutenant Colonel North in the disbursement of some traveler's checks that Lieutenant Colonel North was keeping and using to assist the Nicaraguan resistance?

A No. The first I ever heard of traveler's checks was when it came up in testimony.

Q Did you have any information that Jonathan Miller was involved in assisting Colonel North directly providing financial assistance to contra leaders?

A Well, first of all, I don't know that he has been.

Q I understand. Did you have any information?

A No, I do not.

Q One last thing. You mentioned earlier there was a contract that LPD had with Arturo Cruz, Jr. That was about a \$6,000 contract or so.

A Yes, right. I believe of which about only

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1 \$2,000 was paid.

2 Q Why was that?

3 A Because he didn't fulfill the terms of the

4 contract.

5 Q The terms of the contract were he was supposed

6 to prepare --

7 A Three papers, a series of three papers. I

8 believe that the contract was for \$6,300. Each one of

9 the installments would have been \$2,100, to be paid when

10 completed. He only completed one.

11 Q Okay. Were you aware of any payments being

12 made to Arturo Cruz, Jr. or his father, Arturo Cruz,

13 [REDACTED] or directly from Lieutenant

14 Colonel North during the Boland Amendment restrictive

15 period -- that is, subsequent to October of 1984?

16 A I believe that I became aware of payments to

17 the father sometime after the story broke in the press.

18 Q You mean when it became public knowledge?

19 A When it became public knowledge, yes.

20 Q But contemporaneous with any such payments you

21 had no information that Arturo Cruz, Sr., was receiving

22 payments, one or more payments, directly from Lieutenant

23 Colonel North?

24 A No, no, not from North. The story broke that

25 he had received payments -- I think it was a Wall Street

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1 Journal story, because it was, I am told, a leak from the

2 House Intelligence Committee.

3 MR. OLIVER: Who told you that?

4 THE WITNESS: I believe the source, the Wall

5 Street Journal story sourced it to that source, or people

6 who talked to that reporter said that, at least.

7 Furthermore, that was the information that was

8 circulating inside the Executive Branch at the time, that

9 it was a leak from the House Intelligence Committee.

10 BY MR. SMILJANICH: (Resuming)

11 Q That what?

12 A That Cruz --

13 Q Senior?

14 A [REDACTED]

15 [REDACTED]

16 Q And beyond that -- I think you've already

17 answered this -- you had no specific information that he

18 was receiving any payments directly from Lieutenant

19 Colonel North [REDACTED]

20 A No, no. I did not.

21 Q Were you aware during the time frame of 1985,

22 up until the time you left Venezuela that Robert Owen was

23 working as a courier for Lieutenant Colonel North

24 carrying money or intelligence to Central America?

25 A No, I did not.

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1 MR. SMILJANICH: That's all the questions I
2 have.

3 BY MR. OLIVER:

4 Q Mr. Ambassador, I'd like to ask you about a
5 few references to you on Oliver North's calendar and in
6 his notes, as well as some questions relating to the IBC
7 contract. First, could we enter this as an Exhibit into
8 the record.

9 (The document referred to was
10 marked Reich Exhibit Number 1
11 for identification.)

12 A We never talked about this one.

13 Q That's what I'm going to ask you about.

14 Let the record indicate that we are referring
15 to a National Security Council memorandum piece of paper
16 with the names in the lefthand column of Oliver North,
17 Nestor Sanchez, Frank Gomez, Rich Miller, Otto Reich,
18 Walt Raymond, Jonathan Miller, Jeff Bell, Jack Abramoff.
19 In the second column beside their names, in the same
20 order indicating who they represent, are NSC, DOD, IBC,
21 IBC, State, NSC, State, Citizens for America, Citizens
22 for America. In the righthand column are their phone
23 numbers.

24 And this appears to be a sign-in sheet of some
25 kind. It should be marked as Exhibit 1.

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1 Mr. Reich, I show you that piece of paper and
2 ask you if you can recall that meeting and what the
3 purpose of the meeting was and what transpired.

4 A I recall it now. I believe that we were
5 invited to a meeting in the sit room, the situation room,
6 I don't remember by whom, and in fact I think there's a
7 name missing from here, and that's the man who was head
8 of Citizens for America at the time, who ran for governor
9 of New York.

10 Q Would that be Mr. Lou Lehrman?

11 A Yes, that's correct. I think he attended. I
12 don't remember much about it except that we were told
13 that Citizens for America wanted to make a presentation
14 about what they were going to do to inform the American
15 people about the situation in Central America, and
16 obviously somebody got them the sit room in the White
17 House.

18 Usually when I was invited to a meeting at the
19 White House I attended, unless I physically couldn't go.
20 I went. We listened to the presentation, and that was
21 it.

22 Q Why was someone from the Department of Defense
23 at that meeting?

24 A I don't have any idea. You'd have to ask him.

25 Q Do you remember any reference to the

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1 Department of Defense or anything that that
2 representative said about DOD's role in this?

3 A No, I don't. I'm not sure that any one of us
4 said very much. As I said, from what I recall -- what
5 was the date of this meeting?

6 Q I'm not sure. Do you remember?

7 A No. I mean, it's one of, I'm sure, hundreds
8 of meetings that I attended. I have a vague
9 recollection. I remember seeing Lou Lehrman over here
10 and some of the other people around the table.

11 MR. SMILJANICH: Excuse me. It would be prior
12 to September of '85, wouldn't it?

13 THE WITNESS: Oh, yes. Well, let me not say
14 oh, yes, so quickly. I believe it probably would be
15 prior to September.

16 MR. SMILJANICH: The reason I interjected that
17 is because Jonathan Miller is shown.

18 THE WITNESS: Is shown at State, and the
19 reason I say yes is because it's very vague in my mind
20 and I think it was a while back. But when it would have
21 been -- '84, '85 -- I don't know. So that's it.

22 BY MR. OLIVER: (Resuming)

23 Q Did you ever attend any other meetings with
24 this group of people or a similar group of people
25 regarding a project of this nature?

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1 A I think I met with Jack Abramoff once more or
2 an additional time. Nestor Sanchez, of course, I did
3 attend meetings with. And Walt Raymond I attended weekly
4 meetings with -- at least weekly. But this is an unusual
5 combination of people. This may be the only time that
6 this group of people ever got together -- may be the only
7 time.

8 Q Why were Rich Miller and Frank Gomez at that
9 meeting?

10 A I don't know. They were probably invited by
11 someone -- by whoever put on the meeting.

12 Q Do you have any knowledge that they had any
13 relation to anyone else on that list other than you and
14 Jonathan Miller?

15 A No, I don't have any knowledge that they would
16 have.

17 Q Wouldn't it have been unusual for a contractor
18 to you and Jonathan Miller to be at a meeting without
19 your knowing why they were there?

20 A Well, let's assume -- okay, I'm assuming --
21 that Ollie, since his name is first on the list, is the
22 one who organized the meeting. Obviously he's the only
23 one who would be able to just quickly get the sit room,
24 and I'm not even sure that it was quickly. Maybe this
25 was planned three years in advance. I don't know.

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1 What I'm saying is, let's say it was him.
2 North, as I said, was one of many people who knew that
3 IBC had a contract with the State Department, because the
4 contracts were not classified and because they used to go
5 around the Executive branch giving and picking up
6 information. It could be that he invited them, saying
7 well, these guys should hear what CFA has to say.

8 MR. TUOHY: I think the question is do you
9 know that or are you assuming that?

10 THE WITNESS: I'm assuming. I don't know it.

11 BY MR. OLIVER: (Resuming)

12 Q What was the project the Citizens for America
13 presented?

14 A I believe it was some kind of a television
15 campaign which, if my memory serves me, never got off the
16 ground. I remember walking out of the meeting saying
17 that is a very ambitious undertaking and I think that's
18 the last I ever heard of it.

19 Q You stated that you met Rich Miller when he
20 worked at AID in the Public Affairs Division.

21 A Right.

22 Q What was your role, if any, in bringing Frank
23 Gomez and Rich Miller together?

24 A None.

25 Q Do you know how they happened to come

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1 together?

2 A No, I don't.

3 Q Frank Gomez at the time that IBC, that the
4 partnership was formed with Rich Miller, Frank Gomez was
5 under contract to LPD, is that correct?

6 A To the best of my knowledge, that is correct.

7 Q Do you recall a phone call from Oliver North
8 in August of 1984 to discuss arrangements for Frank
9 Gomez?

10 A No, I don't. To me, a phone call to me?

11 Q Yes.

12 A No, I don't.

13 Q Do you ever recall discussing arrangements for
14 Frank Gomez with Oliver North?

15 A I don't recall ever discussing Frank Gomez
16 with Oliver North -- Frank Gomez's contracts with Oliver
17 North.

18 Q Could I ask you how did the interaction
19 between you and your deputy, Jonathan Miller, work? Did
20 he report to you about what he was doing as Mr. Outside,
21 as you described him earlier?

22 A Yes. We had a daily staff meeting which later
23 became three times a week, and since we had a small
24 office I gave everybody an opportunity. We went around
25 the table and everybody informed everybody else what they

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were doing to avoid duplication. That was one way.

And the other. His office was next to mine. We had offices on two levels. John Blacken, who was the inside guy, was down with the bulk of the staff producing materials. I had a small office upstairs that had room for mine and, next to it, Jonathan, and two secretaries outside. So Jonathan would come in to my office and tell me what he was doing or I would go in there and ask him what he was doing.

But, you know, we were working 14 hours a day. If we were to inform each other what we were doing all the time, we would spend about half of those hours informing each other.

Q Did he tell you of a luncheon he had at IBC with Oliver North, Rich Miller and Frank Gomez in early September of 1984?

A I just don't remember if he did or not.

Q Do you recall --

A Just like he probably didn't tell me about hundreds of meetings he attended.

Q Do you recall how the suggestion for an IBC contract first came to your attention?

A An IBC contract?

Q An IBC contract.

A Well, as I told you, we had been dealing with

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Frank Gomez all along. We were satisfied with his performance. He came to us -- I believe he came to us and said I am now a corporation, or words to that effect, and he maybe even said, you know, because of this I will be able to give you better service or something faster, I have more capability, more secretaries or whatever. He was acting very much on his own, pretty much, to the best of my knowledge, pretty much on his own, and said the name of the corporation is International Business Communications, and that's it.

Q That first contract, the work period began October 1, 1984, a few weeks after the lunch between Jonathan Miller, Oliver North, Frank Gomez and Rich Miller. Were you aware of the interaction between Rich Miller and Frank Gomez and Oliver North from that time forward while you were director of IBC?

A No. Well, wait a minute. You said Rich Miller and Oliver North -- or Jonathan Miller?

Q Rich Miller, Frank Gomez, and Oliver North.

A No. Jonathan Miller, yes, but not Rich Miller. Let me add something.

MR. TOLSON: No.

BY MR. OLIVER: (Resuming)

Q Oliver North's calendar -- I'm not referring to his notes or telephone messages -- shows at least 49

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1 meetings on his calendar with Rich Miller. Were you
2 aware of the relationship between these two?

3 A No, I was not.

4 Q There is also quite a number of meetings
5 between Oliver North and Frank Gomez. Were you aware of
6 the frequency with which Oliver North was dealing with
7 Frank Gomez?

8 A No, but that wouldn't surprise me as much as
9 the Rich Miller since, as I said, Gomez had been dealing
10 with us and everybody knew it.

11 Can I ask you when most of those dates are --
12 those 40-some meetings?

13 Q Well, the dates that we have run from
14 September 10, 1984, through the 21st of November, 1986.
15 When did you leave?

16 A January of '86 I left.

17 Q It shows about 34-35 meetings between
18 September 10.

19 A So the bulk -- that's what I thought because I
20 was not aware really of a close connection.

21 Q Were you aware of a contract with S/LPD,
22 between the Institute for North-South Issues?

23 A Yes. I have been made more aware of it in the
24 last few months.

25 Q What was the purpose of that contract?

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1 A It was, as I remember, a feasibility study, a
2 proposal to do a distribution plan for the State
3 Department for our publications.

4 Q So during the period of time that IBC had a
5 contract with S/LPD you also executed a separate contract
6 with the Institute for North-South Issues, which was also
7 the same two people -- Mr. Miller and Mr. Gomez?

8 A It appears that way, that's correct.

9 Q And these contracts ran simultaneously?

10 A That's what I have been told since.

11 Q So the contract with IBC had to do with the
12 distribution of materials.

13 A The final contract.

14 Q And the contract with the Institute for North-
15 South Issues had to do with the evaluation of the
16 distribution of materials; is that correct?

17 A I believe so.

18 Q So you had a contract with Rich Miller and
19 Frank Gomez to evaluate what Rich Miller and Frank Gomez
20 were doing, is the way it appears?

21 A No, not were doing. It was to see whether
22 they could do it. What they proposed was a proposal.

23 Q What was the date of the Institute for North-
24 South Issues contract?

25 A I believe it was September of '85.

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Q And IBC was already under contract during that period of time?

A I don't remember, but if they were the contract would have ended in September at the end of the fiscal year. I think their contract ran to the end of the fiscal year, but I don't recall that either.

Q Do you know why the payments to IBC took place in every instance substantially after the contract periods began?

A No, I don't. You'd have to ask the contracting officer or whoever signs the checks.

Q Did Oliver North call you -- I believe you referred to this earlier -- and ask you to expedite a payment to IBC because they were financially strapped?

A I don't recall. As I said, I have a vague recollection of a possible phone call from North, but I'm not sure that that was the reason. I do remember a memorandum from Frank Gomez to us requesting expedited payment or perhaps even advance payment because they were going broke, or some words to that effect in, I believe, the spring of '85.

Q Were you aware of the difficulties that the Defense Investigative Services had in obtaining information they needed for a security clearance with IBC?

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A No, not really. I knew a little bit, but I think they started having those difficulties about the time when I left the office, if I'm not mistaken.

Q Were you aware of problems within the contracting bureaucracy over the award of a third contract to IBC, the \$276,000 contract?

A Oh, I was aware of the problems with the contract and the bureaucracy over every contract -- IBC and non-IBC.

Q Were you aware that there were objections raised to the sole source nature of the third contract because of requirements that it be made a public bidding process -- a public bidding process be entered into?

A I have been told about those since.

Q Were you aware of the fact that there were suggestions made that the way to get around this requirement for public bidding would be to classify the contract?

A No. I have been told that since.

Q Who told you that?

A Who told me what?

Q Who told you since that --

A People in the Department that I've talked to about this.

Q Would it appear to you that perhaps the

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1 classification of this contract might have been in order
2 to avoid having to go out on a public bidding process?

3 A No. I think that that is an interpretation
4 that some people would like to put on it, but it is not
5 the reason why I remember it was classified at the time.

6 Q Is it common for the State Department to
7 handle defectors who are in jeopardy?

8 A I don't know.

9 Q Have you ever heard of them managing any other
10 defectors?

11 A We managed ourselves many defectors.

12 Q Did you ever have any secret contracts to do
13 that other than with IBC?

14 A No. This was our only experience.

15 Q

16 A

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1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 Q Did you ever at any time see or cause to have
5 done an audit of IBC's expenditures of State Department
6 funds?

7 A I requested. I requested that every penny
8 that we paid to IBC be accountable, that we could justify
9 every single cent, and I requested that of Colonel
10 Jacobowitz, who was the person who I was relying upon to
11 deal with the contracting office. And I said, in fact,
12 that's one of the reasons why I was told that the
13 contract was taking so long in being signed. That was
14 one of the "they" that I couldn't remember.

15 "They" included the auditors, the contracting
16 office. I wanted to make sure it was a perfectly legal
17 contract, justifiable, et cetera, et cetera, yes, sole
18 source, because I was told that that was standard
19 procedure, that it could be done, that it was legal and
20 done all the time is what I kept having come back.

21 But I also said, look, this is a very large
22 contract -- at least it was for us. I said I want to
23 make sure that if anybody ever looks at this contract
24 years from now that it can be said that the American
25 taxpayer got their money's worth. And I was told that

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1 there were auditing procedures being set up that were
2 delaying the signing of the contract -- sort of a Catch-
3 22 situation.

4 Q Did you know that Jake Jacobowitz' sister was
5 an employee of IBC?

6 A Yes, I did.

7 Q Do you know how that came about?

8 MR. TUOHEY: How he knew?

9 BY MR. OLIVER: (Resuming)

10 Q How it came about that she was an employee of
11 IBC?

12 A My memory is not clear as to whether she went
13 to them or they went to her, but there was never any
14 attempt to hide the fact that she was his sister. He
15 told me himself, because her name at that time was
16 Jacobs, and I would not have automatically recognized
17 Fran Jacobs as Jake Jacobowitz's sister. So he said I
18 want you to know that Fran is my sister -- Fran Jacobs is
19 my sister. And I said what can I do about that?

20 Q Did you suggest to him that it might be a
21 conflict of interest for her to make a presentation for
22 the IBC contract to him?

23 A No, I didn't. I was kind of in a bind
24 because, frankly, what went through my mind at the time
25 was here this company is making a presentation. They

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1 brought a woman in who's obviously qualified because I
2 had her resume. She was making a professional
3 presentation. I'm not in that business, but I could tell
4 it was a good presentation, and so it's finished.

5 So I said to myself, you know, I either tell
6 him that yes, we would like to hire them but not with
7 her, in which case I'd be slapped with some kind of a
8 discrimination suit, probably, or something. Or I fire
9 Jake, I say Jake, you've got to go because we're going to
10 hire this company. I didn't think there was any conflict
11 of interest. Jake was not going to be supervising her.
12 Jake was working for me.

13 Q Jake Jacobowitz was the successor to Mark
14 Richards; is that correct?

15 A No, no, no. He had nothing to do with Mark
16 Richards.

17 Q Mark Richards was assigned to LPD while he was
18 an officer --

19 A Oh, I'm sorry. By "successor" I thought you
20 meant did he take his job. Mark Richards was a detailee,
21 that's correct. Then he retired and we hired him as a
22 contractor. I wanted to keep him on, but he wanted to
23 retire. In fact, I think he had to retire. He was up
24 against the limit. And then I believe that Jake
25 Jacobowitz was the next detailee that they sent over. I

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1 did not know him from Adam when he was sent over.

2 Q Was Mark Richards' job to brief and to
3 background various news media representatives?

4 A That's correct.

5 Q Isn't that a job that's usually associated
6 with the press spokesman or the Office of Public Affairs
7 in the Department of State?

8 A The reason why our office was created is
9 because very high-ranking people, including the
10 President, felt that certain jobs were not being done,
11 including briefing the press properly. Everything that
12 our office did you could isolate.

13 Q So you undertook a separate briefing of the
14 press operation in your office?

15 A Yes, but we always coordinated with the Bureau
16 of Public Affairs to make sure that we weren't either
17 duplicating and wasting our time or contradicting them.
18 We worked very closely with them. They just didn't have
19 the capabilities. They don't have the people to do what
20 our office did.

21 We would provide, for example, Mark Richards
22 would sit with a reporter for four hours explaining a
23 certain aspect of guerrilla war in El Salvador or the
24 capabilities of a MIG-21. For example, why is the United
25 States so upset about the possible introduction of MIGs

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1 into Nicaragua? Here's Mark Richards; he'll tell you
2 what is a Hind-24 and why are you guys saying that this
3 changes the balance of power. Mark Richards would sit
4 down for eight hours. Nobody in the Bureau of Public
5 Affairs can do that. They don't have the time. They
6 don't have the skill.

7 Q Were you aware that rather than hiring Mark
8 Richards as a consultant you hired him in his corporate
9 form?

10 A Eventually, yes. That's correct. First I
11 believe we hired him as a contractor and then he formed a
12 corporation, once again I believe for tax purposes. And
13 there was a long, drawn-out and completely legal process
14 with the contracting office to see how he could be hired
15 as a corporation. There's nothing wrong with that.

16 Q I didn't say there was.

17 A But your tone indicated that there was
18 something wrong.

19 Q Well, I didn't mean for my tone to indicate
20 that there was anything wrong. We found it strange that
21 we couldn't find Mark Richards. We had a copy of the
22 contract and we never could find him. The State
23 Department we asked on a number of occasions who is Mark
24 Richards and how do we find him, and they didn't know.
25 This was after he had left when we were looking into

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1 these various contracts.

2 And the only way we found him was looking in
3 the State Department telephone directory of a couple
4 years before that and found his name.

5 A Well, that's very strange.

6 Q It was confusing.

7 A He would be very upset to hear that, that we
8 have forgotten him to quickly.

9 Q I don't know who was asked. I wasn't the one
10 that was doing the asking at that period of time.

11 Let me ask you -- I'm going to come back to
12 IBC in just a minute, but I'd like to ask you about your
13 switch from AID to LPD. Do you know what the genesis of
14 that was, whose idea it was for you to switch over?

15 A For me, Otto Reich, or for the office to be
16 created?

17 Q You, Otto Reich.

18 A I believe it was a combination of discussions
19 that I had with a number of people, including Dick Stone,
20 Senator Stone, Walt Raymond, Jeanne Kirkpatrick. I'm
21 sure there were other people involved, but I kind of made
22 a pest of myself, saying this government does a lousy job
23 and we deserve all the guff we're getting from the
24 Congress because we are not providing the information. I
25 see it coming across my desk every day. Let's do

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1 something about it.

2 And eventually they said fine. It's like the
3 Army; I was volunteered and I accepted it.

4 Q But is it your understanding that Walt Raymond
5 was the one at the NSC who pushed the creation of LPD?

6 A I don't think it's fair to say he pushed it. I
7 believe Judge Clark asked him to do the staff work that
8 helped to create the office, because I remember sitting
9 down with him and talking about what would this office do
10 and how.

11 Q Did LPD report to the NSC?

12 A That's correct, yes.

13 Q And a representative of LPD met with the
14 Security Planning Group on a weekly basis?

15 A Approximately -- NSPG -- not the NSPG; I'm
16 sorry. Well, really we met with Walt Raymond. I don't
17 know what hat Walt Raymond might have been wearing,
18 whether it was his NSDD-77 hat. I always thought that it
19 was in his NSDD-77 hat. Once a week we would have public
20 diplomacy types from State -- not public diplomacy. Once
21 a week we had a meeting on information. Are we doing
22 enough to get information out?

23 And it would be held in Walt Raymond's office.
24 There were a lot of other meetings, by the way. There
25 was also a meeting on public affairs, for example,

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1 separate.

2 Q Did Ollie North attend those meetings?

3 A Very infrequently. Yes, he did, but very
4 infrequently.

5 Q Were you involved in the organization of a
6 dinner which took place on April 15, 1985, for the
7 Nicaraguan Refugee Fund?

8 A We were asked to provide government support
9 for that -- for example, speakers. I spoke at that
10 dinner and President Reagan spoke. We were the only
11 speakers. I let him go first. I thought it was the
12 least I could do.

13 The answer to your question is yes, but I'd
14 like to tell you what that means. We didn't know who
15 this group was and, frankly, I wanted to make sure that
16 the government wasn't going to be -- that the government,
17 particularly since the President was going to be
18 involved, that we weren't going to get involved with some
19 group that was shady or that the money was going to be
20 used for the wrong purposes, et cetera.

21 We did the best we could without crossing the
22 line from government officials telling private people
23 what they can do, and I think our involvement probably
24 helped to improve the thing. But it turned out to have a
25 lot of problems. I was very unhappy with it after it was

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1 finished.

2 Q Did you meet with Edie Fraser on occasions
3 related to that dinner?

4 A I believe I did, yes.

5 Q What was the purpose of those meetings?

6 A Oh, somebody brought her to a meeting or
7 something, brought her to my office and said that she had
8 been hired, I guess, by the people putting on the dinner
9 to help them publicize it or whatever it is she does, or
10 organize it.

11 Q Were you aware of Rich Miller and Frank Gomez'
12 work with the National Endowment for the Preservation of
13 Liberty?

14 A I became aware of that quite late in my
15 tenure. I believe, in fact, that it was -- I don't
16 remember exactly when, but I do remember receiving a
17 brochure from the National Endowment for the Preservation
18 of Liberty which was sent to me by Miller or Gomez. I
19 believe Miller, and the reason I say that is that it
20 either had an envelope from him or it had a card from
21 Miller. I associated Miller with the brochure or packet
22 -- packet of information.

23 Q Were you aware of the briefings that were
24 being arranged at the White House for private citizens by
25 the National Endowment for the Preservation of Liberty?

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1 A Not by the National Endowment. I personally
2 briefed thousands of private citizens at the White House
3 and the Old EOB and all over the country, but to my
4 knowledge I never spoke -- and I say to my knowledge
5 because I don't know frankly who organized each and every
6 one of those briefings -- I never spoke at something
7 sponsored by the National Endowment for the Preservation
8 of Liberty.

9 Q What about the American Conservative Trust?

10 A The same answer.

11 Q Were you aware of the television ads that were
12 run in support of aid to the contras designed to
13 influence the Congress?

14 A I saw them on television.

15 Q Were you aware that the SPG or the NSC were
16 involved in the timing of those ads or in working with
17 those groups?

18 A No. That's news to me -- that the SPG or the
19 NSC was involved in the timing of those ads?

20 Q Yes. That was my question.

21 A No. Can I ask you a question? When did those
22 ads run?

23 Q Well, there were two periods in which the ads
24 ran. One was in the late winter-early spring of 1985 and
25 the other period was late winter to late spring of 1986.

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1 There was another series of ads in the fall of 1985 that
2 were related to SDI that wouldn't have been in your --

3 A Well, I can certainly answer that. When you
4 say late fall of '85 and early winter, in other words
5 like November-December of '85, is that when they started
6 running?

7 Q Well, there were some ads that were run in
8 November of '85 related to the summit.

9 A, I'm talking about the Central America-related
10 ones. When did they start? See, my memory, my
11 recollection, is that I started seeing those ads when I
12 was already Ambassador-designate to Venezuela, and my
13 reaction was good for them, whoever they are. But I
14 didn't look into it. I mean, my concern was Caracas. I
15 don't remember seeing the ads before that.

16 Q Were you aware of a memorandum of a program or
17 memorandum describing a program that Oliver North
18 compiled showing all the different activities that were
19 going to be undertaken in connection with the vote on
20 Nicaragua -- I mean, a group showing the tasking?

21 A If you can show me something. I mean, I don't
22 know how many thousands of memorandums I've seen.

23 Q Do you know a man named Thomas Dowling?

24 A No, I don't believe so.

25 Q Were you aware -- you've never heard that

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1 name?

2 A The name kind of rings a bell, but no. I
3 don't ever remember meeting a man by the name of Thomas
4 Dowling. But I may have heard that name.

5 Q Are you aware of a company called Bragg
6 Communications?

7 A No, I never heard of it.

8 Q Do you know why money, payments to IBC from
9 State Department, why some of the money that was paid to
10 IBC went to Bragg Communications?

11 A I don't know that money that was paid to IBC
12 went to Bragg Communications, much less why.

13 Q Their bank accounts indicate checks.

14 A It's the first I ever heard of it.

15 Q A receipt and balance. The payments I think
16 were in \$12,000 increments. The next payment was \$6,000
17 to Bragg Communications.

18 A But just a second, because IBC had a lot of
19 clients, and it's not right to say that money went from
20 the State Department to IBC then went to Bragg
21 Communications. I have no idea.

22 Q Well, if their bank account has \$1,000 in it
23 and they get a \$12,000 deposit from State Department
24 check and there's no other money in the account and the
25 next check is a \$6,000 check to Bragg Communications, you

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1 could draw the conclusion.

2 MR. TUOHY: Your answer is you don't know
3 anything about it?

4 THE WITNESS: No, I don't. I never heard of
5 Bragg Communications.

6 BY MR. OLIVER: (Resuming)

7 Q Were you aware that Rich Miller and Frank
8 Gomez were being instructed by Oliver North to transfer
9 funds to a Cayman Islands bank account?

10 A No, not until the story broke in the papers.

11 Q Do you know whether or not Jonathan Miller
12 knew about the establishment of that bank account?

13 A I have no idea.

14 Q He never told you about the establishment of
15 that bank account?

16 A Never.

17 Q Let me run through, if I may, some things in
18 Oliver North's calendar that refer to you. We've already
19 asked about the lunch. There are several meetings in
20 September of 1984 indicating on Oliver North's calendar--
21 one on September 14, one on September 17 -- with you,
22 Arturo Cruz, Jr., Jonathan Miller and Oliver North, at
23 12:00 -- that may have been lunch.

24 Do you remember those meetings or luncheons?

25 A I don't remember, but it probably happened. I

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1 have no reason to believe it didn't happen.

2 Q Do you know why you would have two meetings in
3 a three-day period with your Deputy, Arturo Cruz, and
4 Oliver North?

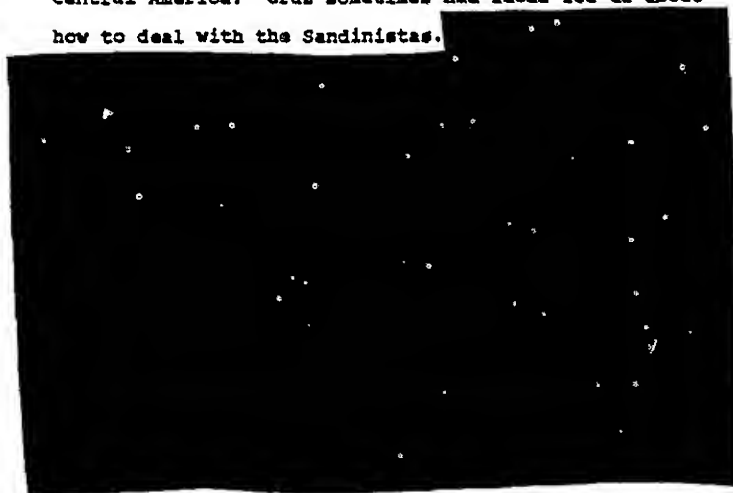
5 A Why not? Arturo Cruz was full of information.

6 Q Was that the primary purpose of those
7 meetings?

8 A Oh, yeah.

9 Q Was to debrief Arturo Cruz?

10 A Not only debrief, but I mean debrief sounds
11 like we sat him down -- to discuss what was doing on in
12 Central America. Cruz sometimes had ideas for us about
13 how to deal with the Sandinistas.



24 Q Do you know why Jonathan Miller, Frank Gomez

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1 and Rich Miller met with Oliver North in January of 1985?

2 A No, I do not.

3 Q Did Jonathan Miller ever tell you about that
4 meeting?

5 A Oh, he may have.

6 Q Did he ever tell you about a meeting with Rich
7 Miller, Frank Gomez and Oliver North and himself?

8 A He may have. I just don't have any
9 recollection.

10 Q You don't remember or have any recollection
11 about that. There's a reflection on Oliver North's
12 calendar on January 28, 1985, that says 2:30, Bob Rely, Jackie Tillman, Manges, Reich, Jonathan Miller, John
13 Norton Moore, re constitutional and legal aspects of U.S.
14 involvement in Central America. Do you remember that
15 meeting?

16 A Vaguely. I think John Norton Moore came and
17 gave us a briefing on his interpretation of the
18 constitutional debate going on right now, but I mean I'm
19 not a lawyer so I don't remember exactly what he said --
20 I don't mean right now -- going on at the time. And I
21 think he had written a paper.

22 I think it might have had to do with the World
23 Court, the ICJ suit. That was a big issue and John
24 Norton Moore wrote articles about the ICJ suit and our

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office was very much involved on the public diplomacy side of that.

Q Do you remember meeting at a townhouse at 517 Third Street, Northeast, that I believe is owned by Dan Kuykendahl where his offices were?

A Yes, I do.

Q What was the purpose of that meeting or series of meetings?

A Well, not series of meetings. I remember going there, I think, only once. This group, Gulf and Caribbean Foundation, I believe Dan Kuykendahl had either purchased that townhouse or rented it or something and invited a bunch of people over to see it, and there ensued a meeting that dealt with legislation, with legislation pending, and I decided that I didn't want to get there and I left.

Q Was Oliver North there?

A I don't remember. I felt uncomfortable. I remember feeling uncomfortable. That was not the first time this happened to me. A number of times when I found myself in meetings where people were discussing things that I didn't think that I should be exposed to -- I mean, they were private citizens. They had every right to do whatever, but I felt frankly that they should have told me in advance.

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I don't remember the details, but I do remember excusing myself politely and saying I had another meeting.

Q Were you aware that Jonathan Miller or Frank Gomez or Rich Miller attended those meetings frequently to discuss legislation?

A Those meetings?

Q Yes.

A When I say discussing legislation I mean I attended a lot of meetings where legislation was discussed in and out of government.

Q I'm asking about the meetings at Dan Kuykendahl's townhouse.

A No. I may have. Jonathan may have told me. I probably didn't see anything sinister.

MR. TUOHY: The question was, was Jonathan Miller there.

THE WITNESS: Oh, I don't remember. I don't remember if he was there or not.

BY MR. OLIVER: (Resuming)

Q Were there any discussions at those meetings that related to legislation where the discussion of television ad campaigns were brought up or discussed in any way?

A I don't believe so. I don't recall.

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1 Q There's a notation in Oliver North's calendar
2 of a meeting with Jonathan Miller and someone named
3 Christina.

4 A Probably Christina Lune, who worked for Ollie
5 for a month or two, and then she was scheduled to come
6 over to the State Department and then she got a job in
7 Paris -- poor kid.

8 Q What was she doing for Ollie?

9 A I don't know.

10 Q Why would she have been meeting with Jonathan
11 Miller and Ollie at the State Department?

12 A I don't know. If I knew the reason for the
13 thousands of meetings we held -- I mean, there are
14 meetings that I attended that I couldn't tell you today
15 if my life depended on it.

16 MR. TUOHY: But your answer is you don't
17 know?

18 THE WITNESS: No, I don't know.

19 BY MR. OLIVER: (Resuming)

20 Q There is a reference in Ollie North's notebook
21 to a call to you on July 27 -- I believe it's 1984 --
22 regarding filming doing well and the name Archbishop
23 Hannon next to it and the name Dowling under it.

24 Do you recall what that phone call might have
25 been about?

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1 A Archbishop Hannon, I believe, is the
2 Archbishop of New Orleans, and I vaguely recall some kind
3 of a film they were doing on Nicaragua. And they may
4 have requested some kind of U.S. Government assistance,
5 you know -- information, what's the best way to get there
6 from here and give us background. We would provide
7 background information.

8 Q Do you remember any filming that Ollie North,
9 or do you know of any filming that was going on that he
10 was involved in?

11 A No.

12 Q In his notes there is also your name and next
13 to it it says "Sea transport next week."

14 A My name and "sea transport" -- sea as in
15 ocean?

16 Q Yes. Do you have any idea what that would be
17 a reference to?

18 A No. Maybe he was going to send me off to
19 invade some island or something.

20 Q There's also a notation on a call from Rob
21 Owen, and then underneath that two ticks with the name
22 John Hull and the name Otto Reich.

23 A I've never met John Hall. I've heard his name
24 since this has come up in the hearings.

25 Q But that wasn't discussed with you?

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1 A I'm sorry. John Hall?
 2 Q H-u-l-l.
 3 A No. I know a John Hall -- H-a-l-l.
 4 Q There's also a note that says "call from Otto
 5 Reich re: Brooklyn Rivera."

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9 Q Within the same parentheses, referring to that
 10 conversation, there is the words "Robelo getting
 11 \$120,000". Do you know what that's about?

12 A I have no idea.
 13 Q Do you remember any reference to that?
 14 A No.
 15 Q In the conversation?
 16 A No.
 17 Q There is also a call from Mark Richards that
 18 refers to taking surreptitious pictures of Hinds and MI-
 19 8s. Do you know anything about that?
 20 A A call from Mark Richards to Ollie North?
 21 Q Yes.
 22 A We probably needed some pictures for one of
 23 our brochures and it could be that Mark was trying to
 24 figure out if Ollie had any pictures or could cause any
 25 pictures to be taken of the Soviet Hinds in Nicaragua.

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1 I'm speculating here.

2 Q There's another note that says "Otto Reich",
3 and I don't know whether this is related to you, but
4 right next to it is "call Lew Tambs", and then meeting
5 with Miller, Miller, Gomez. I assume that's Jonathan and
6 Rich.

7 A No. I know, of course, where Lew Tambs is.

8 Q There's another notation on 16 February that
9 says call back to Otto Reich -- NRF moving. Do you know
10 what that would refer to?

11 A What's the year?

12 Q That would be 1985.

13 A NRF was, I believe, the Nicaraguan Refugee
14 Fund. That was that dinner that eventually got organized
15 in April.

16 Q And you were telling him that it was moving
17 along?

18 A Yeah. I told you we were involved and it
19 eventually happened April 15 of '85, I guess it was.

20 Q There is another call in June of 1985 that
21 says "call Otto/Fred Ikle re: weapons." Do you have any
22 recollection of anything --

23 A No. I never dealt with weapons of any kind.

24 Q Do you know why your name would be elashed
25 with Fred Ikle's?

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1 A No. I attended lots of meetings where Fred
2 Ikle -- I shouldn't say lots of meetings -- a number of
3 meetings where Ikle was present, but I don't recall any
4 of them having to do with weapons.

5 Q Did you ever receive a thank you letter from
6 the President in the summer of 1985 for your efforts on
7 behalf of the vote, the Congressional votes?

8 A I've gotten a number of letters from the
9 President, but I don't recall any one having anything to
10 do with the vote -- one for my AID work, several letters,
11 but nothing, to my knowledge, to do with the vote. They
12 are hanging on my wall in Caracas, if you want me to
13 check.

14 MR. TUOHY: Just for the record, is there
15 such a letter, Spencer?

16 MR. OLIVER: There's a reference to
17 Presidential letters for, and then a string of names,
18 including Otto's and other names of people who were
19 lobbying.

20 THE WITNESS: Another broken promise. I
21 didn't get it.

22 BY MR. OLIVER: (Resuming)

23 Q Were you aware of a meeting in February of
24 1985 that took place between your deputy, Jonathan
25 Miller, Oliver North, Rob Owen, Rich Miller and Frank

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1 Gomez?

2 A In February of '85?

3 Q Yes, the 27th of February.

4 A No.

5 Q Jonathan Miller never told you about it?

6 A I don't recall. I can't say that he did and I
7 can't say that he didn't. I have no recollection.

8 Q Let me show you another document which I'd
9 like to have entered as Exhibit 2.

10 (The document referred to was
11 marked Reich Exhibit Number 2
12 for identification.)

13 It is a memorandum from Oliver North to Robert
14 McFarlane, attached to which is a chronological event
15 checklist that includes several references to Mr. Reich.
16 I show you this document and ask you to take a minute to
17 read it and tell me what you know about it.

18 MR. TUOHY: 3/20/85 is the date in pen in the
19 upper righthand corner. Is that the date of the memo?

20 MR. OLIVER: If you turn, you will see.

21 (Pause.)

22 BY MR. OLIVER: (Resuming)

23 Q Could you tell me what the genesis of that
24 document is and what you know about it?

25 A Well, I'm glad you told me that it was from

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1 Ollie North because State Department people have a copy
2 of something similar to this and they were telling me
3 that it had come out of my office and I kept insisting
4 that we never wrote such a document. I said this
5 document was not written by us and I'll tell you why, and
6 I pointed to some of the office designations. We would
7 never refer to ourselves as State/LPD because there's no
8 such thing. If you are inside State Department it would
9 be S/LPD or ARA/LPD or whatever.

10 I said this document was written by someone
11 else who knows what's going on, and frankly in my mind I
12 suspected a number of people, including Ollie. Suspect
13 is a strong word. I thought it would be -- Ollie used to
14 write these things and pass them around and he would put
15 people down. By the way, some of these things are
16 perfectly legitimate.

17 Send resource book on the Contadora process to
18 Congress. We did that.

19 Q I'm not saying there's anything --

20 A But some of the questioning from the State
21 Department people, they didn't seem to understand. They
22 thought that we were taking orders from some unknown
23 person somewhere or giving orders to other people because
24 there are certain things in here. I've not seen this
25 particular one, but there are other similar -- for

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1 example, Kuykendahl. Kuykendahl is a private citizen.
 2 He has no business, in my opinion, being in a chronology
 3 of events for the government unless it's an
 4 informational, which we did have a lot of informational
 5 memos like this letting people know what we are doing.

6 Here is State Department, Reich, again --
 7 publish and distribute as State Department document
 8 Nicaragua's Development as a Marxist-Leninist State. I
 9 believe we did that. Reverend Vallardo Santeliz, I don't
 10 remember this.

11 MR. TUOHEY: I don't know if there is a
 12 question pending right now.

13 MR. OLIVER: I was asking him to tell me what
 14 he knew about the document and I think that's what he was
 15 doing.

16 THE WITNESS: It looks familiar.

17 BY MR. OLIVER: (Resuming)

18 Q Well, had you seen those documents before?

19 A Oh, yes.

20 Q While you were at LPD?

21 A Yeah, sure.

22 Q Would it be fair to say that that was a
 23 tasking memorandum of some kind?

24 A No. We never saw it as a tasking memorandum.

25 Q But you saw those memorandums?

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1 A We saw it as a chronology of events that were
 2 taking place related to what was going on, taking place
 3 or being done by a lot of different people inside and
 4 outside of government. It was sort of information.

5 Q Were you aware that Frank Gomez was part of
 6 this effort on the lobbying of Congress?

7 A Lobbying the Congress?

8 Q I believe that that's related to events which
 9 are going to take place prior to the vote in the spring
 10 of 1985.

11 A Okay. I just opened to the page here. Major
 12 rally in the Orange Bowl in Miami attended by President
 13 Reagan. I don't think that's lobbying of Congress.

14 Q If you look at the beginning of the memorandum
 15 you will see --

16 A But let me finish.

17 MR. TUOHEY: The question is very simple.
 18 Just answer the question. Were you aware that Miller and
 19 Gomez were involved in any lobbying efforts?

20 THE WITNESS: No.

21 BY MR. OLIVER: (Resuming)

22 Q Let me just ask you quickly about a few names
 23 and ask if you know then.

24 Spitz Channell?

25 A Never met him, to my knowledge.

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1 Q Dan Conrad?
 2 A Not to my knowledge.
 3 Q Cliff Smith?
 4 A Not to my knowledge.
 5 Q Ken Campbell?
 6 A Yes.
 7 Q Was Ken Campbell involved in any of your --
 8 A Not in any of my activities. I dealt with Ken
 9 Campbell frequently on the phone.
 10 Q Marty Artiato?
 11 A Never heard of him. I should say not to my
 12 knowledge.
 13 Q Bruce Cameron?
 14 A Yes.
 15 Q What was Bruce Cameron's --
 16 MR. SMILJANICH: Off the record.
 17 (A discussion was held off the record.)
 18 BY MR. OLIVER: (Resuming)
 19 Q Let me just ask one more question. Were you
 20 aware that Rich Miller was targeting various Congressmen
 21 for Spitz Channell's television ad campaigns?
 22 A No.
 23 MR. OLIVER: That's it.
 24 MR. SMILJANICH: Mr. Ambassador, thank you
 25 very much for making yourself available.

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1 (Whereupon, at 1:12 p.m., the taking of the
 2 instant deposition ceased.)
 3 _____
 4 Signature of the Witness
 5 Subscribed and sworn to before me this _____ day of
 6 _____, 1987.
 7 _____
 8 Notary Public
 9 My Commission Expires: _____

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CERTIFICATE OF REPORTER

I, MICHAL ANN SCHAFER, the officer before whom the foregoing deposition was taken, to hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schaffer
Notary Public

in and for the District of Columbia

My Commission Expires: February 28, 1990

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NO DATE

MEMORANDUM

NATIONAL SECURITY COUNCIL

NAME	Representing
Oliver Name	NSC
Nestor Sanchez	DOD
Frank Giner	I.B.C.
Rich Miller	I.B.C.
OTTO REICH	STATE
Walt Raymond	NSC
Jonathan Miller	State
Jeff Bell	CFA
Jack Abram M	CFA



REACH

Partially Declassified/Released on 10/11/88
under provisions of E.O. 12356
by K. Johnson, National Security Council



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SYSTEM IV
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NATIONAL SECURITY COUNCIL

ACTION:

ACTION:

FROM:

OLIVER L. NORTH

SUBJECT:

Timing and the Nicaraguan Resistance Vote

Attached at Tab A is the most recent version of the chronology of events aimed at securing Congressional approval for renewed support to the Nicaraguan Resistance forces. This schedule results from the four communications/media meetings we have had with Pat Buchanan's ad hoc working group. Please note that the schedule continues to focus on a vote at the end of April triggered by submission of the required report on or about April 13.

In addition, to the events depicted on the internal chronology at Tab A, other activities in the region continue as planned--including military operations and political action. Like the chronology, these events are also timed to influence the vote:

-- planned travel by Calero, Cruz, and Robelo;

Various military resupply efforts timed to support significantly increased military operations immediately after the vote (we expect major Sandinista crossborder attacks in this timeframe--today's resupply to [redacted] went well); and

-- special operations attacks against highly visible military targets in Nicaragua.

Some of these efforts will proceed whether or not the vote occurs as planned at the end of April. For example, today Bernardino Rios, former Sandinista Defense Minister, defected to Costa Rica and is now in Panama (you were briefed on this operation during the trip). Others, however, including actions by U.S., interests groups are very sensitive to the timing. Next week the networks auction their air time for 15, 30, and 60 second commercials during prime viewing hours. These groups are prepared to commit nearly \$2M for commercial air time and the

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COPY NO: 2 OF 4

HANDLE VIA SYSTEM IV CHANNEL ONLY

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EXHIBIT #2

**NSC INTELLIGENCE
DOCUMENT**

Partially Declassified / Reviewed on 22 June 1987

Under provisions of E.O. 12356
by D. Rogers, National Security Council

Warning Notice

Intelligence Sources and Methods Involved

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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production of various advertising media. If we are to retain their support, we must let them know by Friday whether or not they should proceed. To the maximum extent we have tried to prevent the kinds of errors that will cost them financially or politically. Unfortunately, some, like the Young Republicans ad, get through--this has been fixed.

It is important that a decision be taken no later than noon, Friday, March 22, if we are to proceed with the events in the checklist (Tab A) and those activities which support a vote at the end of April.

Senator Durenburger plans to make a major speech on this issue at the National Press Club next Tuesday, March 26. We should at least give him a sense of what to expect before he speaks.

You should also be aware that Director Casey has sent a personal note to Don Regan on the timing matter. We are attempting to obtain a copy for your use.

Worthlind has apparently completed an analysis on some recent polling data. It reportedly does not look good for a vote at this time.

Finally, Jim Michel reminds that in your meetings with the Central American Heads of State you told them that we would be quiescent during the early Spring, but that in April we would act. This description fits either scenario--going for the vote or a fallback option with sanctions. One way or the other, we need to have a decision.

RECOMMENDATION

That you discuss this matter with Don Regan and urge that a decision be made on timing by noon on Friday, March 22.

Approve _____

Disapprove _____

Attachments

Tab A - Chronological Event Checklist (dtd March 20, 1985)
Tab B - Young Republicans Ad

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March 20, 1985

~~CONFIDENTIAL~~

CHRONOLOGICAL EVENT CHECKLIST

February 21-28, 1985 (completed)

<u>Event</u>	<u>Responsibility</u>
Send resource book on the Contadora process process to congressmen, media outlets, private organizations and individuals interested in Nicaragua.	State/LPD (Miller)
FDN to select articulate freedom fighters with proven combat records and to make them available for contact with U.S. media representatives.	NSC (North)
Assign U.S. intelligence agencies to research, report, and clear for public release Sandinista military actions violating Geneva Convention/civilized standards of warfare.	NSC (North) (Raymond)
Prepare themes for approaches to Congressmen based on overall listed perceptions which will directly attack the objections listed above.	NSC (North)
Encourage U.S. media reporters to meet individual FDN fighters with proven combat records and media appeal.	NSC (North) State/LPD (Gomez)
Contact internal eyewitnesses/victims to testify before Congress about their abortive attempts to deal with the FSLN (deadline March 15).	NSC (North)

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2

March 1-8, 1985EventResponsibility

Prepare list of publicly and privately expressed Congressional objections to aiding resistance and voting record on the issue.

WH/LA
State/H

Provide State/H with a list of Nicaraguan emigres and freedom fighters to serve as potential witnesses to testify before hearings on aid to Nicaraguan freedom fighters (due March 15).

NSC (North)
State/ARA
(Michel)
State/LPD
(Reich)

Nicaraguan internal opposition and resistance announce unity on goals and principals (March 2, San Jose) (completed).

State/LPD
(Miller)
NSC (North)

Request that Zbigniew Brzezinski write a geopolitical paper which points out geopolitical consequences of Communist domination of Nicaragua (paper due March 20).

NSC (Menges)

Briefings on Nicaragua for key Congressional members and staffers. North on NU aggression and external involvement, Burghardt on diplomatic situation.

NSC (North)
(Burghardt)

Supervise preparation and assignment of articles directed to special interest groups at rate of one per week beginning March 18 (examples: article on Nicaraguan educational system for NEA, article by retired military for Retired Officers Association, etc.).

State/LPD

Assign agencies to draft one op-ed piece per week for signature by Administration officials. Specify themes for the op-eds and retain final editorial rights.

NSC (Menges)

Conduct public opinion poll of America attitudes toward Sandinistas, freedom fighters.

WH (Rollins)

National Press Club news conference for FDN commanders Bermudez, Tigrillo, Mike Lima (March 5) (follow-on Congressional visits (March 6) (completed).

State/LPD
(Gomez)
(Kuykendall)

Martha Lida Murillo (9 yr old atrocity victim) visit to Washington--media interviews, Congressional visits, possible photo-op with First Lady (March 6-8) (completed).

State/LPD
(Gomez)
(Kuykendall)
(WH/OPL)

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3

N 40305

March 9-15, 1985EventResponsibility

WH/Legislative Affairs, State/H and ARA complete list of key Congressmen interested in Nicaragua.

State/H (Ball/Fox)
WH/LA
State/ARA
(Michel/Holwill)

Intelligence briefing for White House Administration and senior staff by CIA (Vickers, Room 208, OEOB, 30 minutes).

NSC (North)

Brief Presidential meeting with Lew Lehrman and other leaders of the influence groups working on MX and resistance funding.

NSC (Raymond)
(North)

State/LPD and WH Media Relations prepare a list of key media outlets interested in Central American issues, including newspapers, radio, and TV stations (including SIN). Where possible identify specific editors, commentators, talk shows, and columnists.

NSC (North)
State/LPD
(Miller)

NSC update talking points on aid to Nicaraguan freedom fighters.

NSC (North)

Briefings in OEOB for members/Senators: Shultz, McFarlane, Gorman, and Shlaudeman to brief Lehman (requires General Gorman to be placed on contract).

NSC (North)
(Lehman)

Call/visit newspaper editorial boards and give them background on the Nicaraguan freedom fighters.

State/LPD (Reich)
WH/PA
NSC (North)

Brief OAS members in Washington and abroad on second term goals in Central America. Explore possible OAS action against Nicaragua.

OAS (Middendorf)
NSC (Menges)
State/LPD (Reich)

VP at Brazilian inauguration. Discuss possible OAS initiative on Nicaragua with Core Four, Colombia, Brazil, and Uruguay (March 15 and 16).

VP (Hughes)

Prepare a "Dear Colleagues" ltr for signature by a responsible Democrat which counsels against "negotiating" with the FSLN.

NSC (Lehman)

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~~CONFIDENTIAL~~

N 40306

~~CONFIDENTIAL~~March 16-22, 1985Event

Results due on public opinion survey to see what turns Americans against Sandinistas (March 20).

Joachim Maitre--Congressional meetings, speeches, and op-ed pieces.

Review and restate themes based on results of public opinion poll.

Presidential drop-by at briefing for American evangelicals on MX and Nicaraguan resistance.

Congressional hearings (Foreign Relations/ Affairs) and testimony by Nicaraguan emigres and atrocity victims.

Prepare document on Nicaraguan narcotics involvement.

SSCI CODEL Boren, Rockefeller, McConnell, and Wilson for meetings with resistance (March 15-19).

VP in Honduras; meeting with Pres Suazo (March 16).

Argentine state visit; President emphasize need for OAS case (March 19).

Pastora and Calero meeting with Congressional Hispanic Caucus (Jorge Mas) (March 20).

Production and distribution of La Prensa chronology of FSLN harassment.

Responsibility

NSC (Hinckley)

State/LPD
(Kuykendall)

State/LPD
(Reich)
NSC (North)
(Raymond)

WH/OPL (Reilly)
NSC (North)

WH/LA
NSC (North)
(Lehman)

Justice
(Mullen)

NSC (North)
(Lehman)

VP (Hughes)

WH (Elliott)

State/LPD
(Reich)

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N 40307

~~CONFIDENTIAL~~March 23-31, 1985Event

Rev. Vallardo Antonio Santeliz. (Pentecostal Minister atrocity victim)--Congressional/ media meetings (March 22-23).

McFarlane, Friedersdorf meeting with key Congressional leadership (RM 208 or WHSR) to brief situation and proposed course of action (March 23-25).

Presidential breakfasts, lunches, and WHSR meetings with key Congressional leaders (March 24 through vote).

Pedro Juaquin Chamorro (Editor La Prensa) U.S. media/speaking tour (March 25-April 3)

President to meet in Room 450 w/"Spirit of Freedom," concerned citizens for Democracy. Representatives from 8 countries (180) (March 25).

Release of DOD/State paper on Soviet/Cuban/ Nicaraguan intentions in the Caribbean; possible WH backgrounder.

Distribute Bernard Nietschmann paper on suppression of Indians by FSLN.

Antonio Farach (Former FSLN Intelligence Officer)--media and Congressional meetings regarding Sandinista espionage, intelligence activities.

Invite President's Duarte, Monge, Suazo, and Barletta to a very private meeting in Texas with key Congressional leaders so that CODEL can hear unvarnished concerns re Sandinistas and Democratic leaders' support for the FDW.

Release paper on Nicaraguan media manipulation.

Publish and distribute as State Department document Nicaragua's Development as Marxist-Leninist State by Linn Poulsen.

Declassify Nicaragua's Development as a Marxist-Leninist State by Linn Jacobowitz Poulsen for publication as State Department document (clearance request w/Casey).

~~CONFIDENTIAL~~Responsibility

State/LPD
(Kuykendall)
(Gomez)

WH/LA
NSC (Lehman)
(North)

State/LPD
(Miller/Gomez)

State/LPD (Reich) ✓
WH/PA (Sins)

State/LPD

Republican
Study
Committee

(Kuykendall)
NSC (North)

State/LPD

State/LPD
(Reich)

State/LPD
(Blacken)

~~UNCLASSIFIED~~

~~CONFIDENTIAL~~~~CONFIDENTIAL~~April 1-7, 1985Event

Request Bernard Nietschmann to update prior paper on suppression of Indians by FSLN (to be published and distributed by April 1).

AEI: Sponsor media events w/print and television media for Central America resistance leaders (April 1-7).

European Parliamentary delegation to meet with President Reagan (April 2).

Visit by Colombian President Betancur (April 3-4); possible Joint Session speech by Betancur.

Proposed Presidential television address on Nicaragua (April 4).

Second round of SFRC hearings on Soviet build-up in region (Helms) (prior to recess).

CODEL visits during recess (April 4-14). Nicaraguan refugee camps in Honduras and Costa Rica (include visit to freedom fighter base camp and hospital [REDACTED]).

CODEL visit during recess (April 4-14) with regional leaders of Central America. Regional leaders convey importance of resistance fighters in NU.

Administration and prominent non-USG spokesman on network shows regarding Soviet, Cuban, East German, and Libyan, Iranian connection with Sandinistas.

Publish updated "Green Book;" distribute personally to Congressmen, media outlets, private organizations, and individuals interested in Nicaragua. Pass to Lew Lehrman and other interested groups.

Distribute paper on geopolitical consequences of Communist domination of Nicaragua.

Release paper on Nicaraguan drug involvement.

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N 40308

Responsibility

State/LPD
(Blacken)

State/LPD
(Reich)
WH/OPL (Reilly)

National Forum
Foundation
WH/OPL (Reilly)

WHSpeechwriters
(Elliott)
NSC (North)

State/H

NSC (North)
(Lehman)

NSC (North)
(Lehman)

WH/PA (Sims)
WH (Buchanan)
State/LPD

State/LPD (Reich)
WH/LA
State/H (Fox)

State/LPD

State/LPD
(Blacken)
NSC (North)

~~CONFIDENTIAL~~~~CONFIDENTIAL~~

7

N 40309

April 8-14, 1985 (During recess)EventResponsibility

25 Central American spokesmen arrive in Miami for briefing before departing to visit Congressional districts. Along with national television commercial campaign in 45 media markets.

CFA (Abramoff)

Targeted telephone campaign begins in 120 Congressional districts. CITIZENS FOR AMERICA district activists organize phone-tree to targeted Congressional offices encouraging them to vote for aid to the freedom fighters in Nicaragua.

CFA (Abramoff)

Lew Lehrman speaking tour of major U.S. cities.

CFA

Telephone campaign.

Central American spokesmen conduct rallies throughout the country in conjunction with CITIZENS FOR AMERICA activists (starting April 12).

CFA

Nationally coordinated sermons about aid to the freedom fighters are conducted (April 14).

Naval Institute Seminar in Newport, RI (Lugar, McFarlane (April 12)).

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N 40310

~~CONFIDENTIAL~~April 15-21, 1985Event

Nicaraguan Refugee Fund (NRF) dinner, Washington, DC; President as Guest of Honor (April 15).

Presidential report to Congress on reasons for releasing funds to freedom fighters (April 15).

AAA available to Washington press.

Central American spokesmen visit Congressional offices on Capitol Hill (April 16).

SFRC Nicaraguan issues, open hearing (April 16-17).

Washington conference "Central America: Resistance or Surrender" (Presidential drop-by?) (April 17).

Barnes' subcommittee hearing on Nicaragua; Motley, public witnesses (April 18) (2170 Rayburn, 2:00 p.m.).

Presidential Radio Address (April 20).

Responsibility

State/LPD
(Miller)
NSC (Raymond)

NSC
State

State/LPD
(Gomez)

Abramoff

NSC
Abramoff

WH (Elliott)

~~CONFIDENTIAL~~~~UNCONFIDENTIAL~~~~UNCONFIDENTIAL~~

N 40311

~~CONFIDENTIAL~~April 22-29, 1985Event

House Appropriations (Obey subcommittee) intelligence brief on Central America/Latin America (April 23).

Obey subcommittee (panel on Central America), public witnesses (a.m.)/Administration witnesses (p.m.) (April 24).

Major rally in the Orange Bowl in Miami, Florida, attended by President Reagan and important Administration figures (April 28).

Presidential calls to key members.

Responsibility

Cuban American
National
Foundation
State/LPD
(Reich)

WH (Friedersdorf)
NSC (Lehman)

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~~CONFIDENTIAL~~
UNCLASSIFIED

N 40312

~~CONFIDENTIAL~~

10

April 30, 1985Event

Vote in the U.S. Congress on aid to the Nicaraguan freedom fighters (April 30).

President leaves for Europe.

ResponsibilityWH (Friedersdorf)
NSC (Lehman)~~CONFIDENTIAL~~~~CONFIDENTIAL~~
UNCLASSIFIED~~CONFIDENTIAL~~~~CONFIDENTIAL~~March 30, 1985
N 40312PUBLIC DIPLOMACY PRESIDENTIAL EVENTS
REGARDING NICARAGUAN RESISTANCEEventResponsibilityMarch 16-22, 1985

Argentine state visit; President emphasize need for OAS case (March 19).

WH (Elliott)

March 23-31, 1985

Presidential breakfasts, lunches, and WHSR meetings with key Congressional leaders (March 24 through vote).

President to meet in Room 450 w/"Spirit of Freedom," concerned citizens for Democracy. Representatives from 8 countries (180) (March 25).

April 1-7, 1985

Visit by various members of European parliaments who support the President's policies in Central America (April 2).

NSC (Raymond)
WH/OPL (Reilly)

Visit by Colombian President Betancur (April 3-4); possible Joint Session speech.

Presidential television address on budget (April 4).

WHSpeechwriters
(Elliott)

Presidential meeting with AAA.

NSC (North)

April 15-21, 1985

Conference on religious freedom; Presidential drop-by in Rm 450, OEGB.

NSC (Raymond)

Nicaraguan Refugee Fund (NRF) dinner, Washington, DC; President as Guest of Honor (April 15).

State/LPD
(Miller)
NSC (Raymond)

Presidential report to Congress on reasons for releasing funds to freedom fighters (April 15).

NSC
State

Possible Presidential meeting with AAA.

NSC (North)

Possible Presidential visit with former Central American Presidents, Foreign Ministers, and Presidential candidates.

NSC (North)
S/LPD (Reich)

Presidential Radio Address (April 20).

WH (Elliott)

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CONFIDENTIALCONFIDENTIAL

2

EventApril 22-29, 1985Proposed visit to Washington by
Presidents Monge, Duarte, and Suazo.

Presidential calls to key members.

Major rally in the Orange Bowl in Miami,
Florida, attended by President Reagan and
important Administration figures
(April 28).April 30, 1985Proposed Congressional vote; President
leaves for Europe.ResponsibilityNSC (North)
S/ARA (Michel)WH (Friedersdorf)
NSC (Lehman)Cuban American
National
FoundationCONFIDENTIAL**CONFIDENTIAL****ONLY 53¢ A DAY WILL SUPPORT A
NICARAGUAN FREEDOM FIGHTER**

N 40315

In many areas of the world there are children
who spend their days fighting for survival.
They cry at night but no one answers.Their parents were abducted by Communist
forces because they spoke about "freedom."
Some were executed by firing squads, others
were shot in the back, still more died in
political prisons.To you this may sound like a
nightmare, something you would see
on the Late Show. Here in
Nicaragua, it is a way of life.
I know. My name is Charley and I
am a Nicaraguan counter-
communist. A Contra. A Freedom
Fighter.I have taken up arms against the
Soviet Empire and its satellite
government in Nicaragua and I
need your help.Last year, your Congress cut
off our funding. People like
Michael Barnes, Steven Salazar,
and Ted Kennedy, who claim
to be "friends of the people," saidthat it was unethical to fund what here in Nicaragua
is the "will of the people." There is no "enemy"
called Nicaragua. Only a nation of people living
under a totalitarian regime funded by Cuba
and the Soviet Union.Aren't you as Americans, committed to
government of the people, by the people,
and for the people? Isn't that what you
fought for just over 200 years ago? If so,
please help.For \$16 a month you can help bring
democracy to Central America.Regular meals, medical attention,
and the chance to vote in a free
and open election. That's
all we want.In America you have so much.
We have nothing. Our very
future and the future of the
democratic world is at stake.Please help me and my
fellow patriots.
We haven't got long.

*Maya con DIOS,
Charley*

SEND DEMOCRACY AROUND THE WORLD

SAVE THE CONTRAS, P.O. Box 7809, Washington, DC 20013-6809

Yes, I want to help Charley and his fellow Freedom Fighters in Nicaragua.

☐ Enclosed is my first month's payment of \$16.☐ Enclosed is \$122 for one year's supply of food, medicine, and clothing.☐ I can't send money now, but I will write my Congressman and tell him to support U.S. aid to the Contras.

Name _____

Address _____

City _____

State _____

Zip _____

"Save the Contras" is a project of the College Republican National Fund. Statement of income and expenses available
on request.**SAVE THE CONTRAS**

Published by the College Republican National Fund, 200 Post St., Washington, DC 20006

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National
Foreign
Assessment
Center

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NOFORN

A Red Sea Security System: Political, Military, and Economic Issues

An Intelligence Assessment

*Information available as of 8 December 1981
has been used in the preparation of this report.*



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December 1981



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Assessment
Center

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NOFORN

A Red Sea Security System: Political, Military, and Economic Issues (U)

An Intelligence Assessment

~~Secret~~

December 1997

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Approved For Release
Date 11 FEB 1997

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~~NOFORN~~

A Red Sea Security System: Political, Military, and Economic Issues

Key Judgments

The strategic importance of the Red Sea is likely to grow substantially over the next few years as a result of recent military and economic developments:

- US Rapid Deployment Forces rely on military facilities in the region to help counter Soviet expansionism.
- Saudi Arabia has just completed an oil pipeline to the Red Sea that will enable it to export a substantial share of its crude without going through the vulnerable Strait of Hormuz.
- Riyadh has agreed to finance a pipeline to the Red Sea from Iraqi oil fields.
- At the same time the Libyan-Ethiopian-South Yemeni pact as well as the Soviet presence in South Yemen and Ethiopia threaten the stability of the southern Red Sea basin.

These developments give Arab countries from Egypt through Saudi Arabia to Iraq a stake in Red Sea security. At present, security cooperation among these and other Arab countries faces major obstacles, including longstanding political and ideological rivalries and disagreement over the role of US military power in the Middle East. If the Soviet and radical threats became more menacing, however, neutral and pro-Western countries might make common cause. In the absence of Arab cooperation, Israel probably will cite the growing importance of the Red Sea shipping lanes to the West to strengthen its argument for broader US-Israeli strategic cooperation in the region.

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A Red Sea Security System: Political, Military, and Economic Issues

Military Factors

The Red Sea is critical to Western efforts to stop Soviet expansionism in southwest Asia and to guard the oil supply routes from the Persian Gulf. The US Navy prefers the Suez Canal to the longer and costlier route around the Cape of Good Hope when sending ships between the North Atlantic-Mediterranean and the Indian Ocean-Persian Gulf. These transits—which have included conventionally powered aircraft carriers—will increase in number as the United States develops facilities in Kenya, Somalia, Oman, and Diego Garcia. The United States and Egypt plan a massive improvement in Ras Banas, a small airstrip and harbor area on Egypt's southern Red Sea coast, to make it suitable for use as a staging area for US forces moving into the Persian Gulf.¹ The collapse of US influence in Ethiopia has dramatically increased the importance of Sudan and Somalia as bases for projecting Western power into the southern Red Sea and northwest Indian Ocean. The United States plans to use air and naval facilities at Berbera, Somalia, to monitor the sea lanes along the southern coast of the Arabian peninsula and the east coast of Africa.

France stations about 4,000 troops and air units at Djibouti at the southern end of the Red Sea on the Strait of Bab-el-Mandeb. Djibouti serves as the home port for the French Indian Ocean fleet of 14 warships, the second largest Western naval force in the Indian Ocean.

Economic Factors

The Red Sea is becoming an increasingly important transit route for oil. Both Saudi Arabia and Iraq look to the Red Sea to provide a secure alternative route for oil exports from the Persian Gulf. The new Trans-Peninsula Saudi pipeline terminating at the port of Yanbu supplies 1.1 million barrels per day, and this will soon increase to the pipeline's capacity of 1.85 million barrels per day. Riyadh plans to double the capacity by the mid-1980s. Moreover, the Saudis have

agreed with Iraq to finance construction of a pipeline with a capacity of from 1.6 to 1.9 million barrels per day to carry crude oil from Iraq's southern oilfields to a terminal near Yanbu. This pipeline could be in operation by 1986. If the second Saudi line and the Iraqi line are completed, Red Sea terminals could furnish close to 5.5 million barrels per day of oil by the mid-1980s; at present about 12 million barrels per day move through the Persian Gulf and the Strait of Hormuz. Riyadh plans a 1.5-billion-barrel oil storage facility on the Red Sea near Yanbu, although costs and technical considerations will delay completion until about 1990. Saudi Arabia is also building a petrochemical complex at Yanbu, which will make that port a major product export center.

The Red Sea basin also furnishes oil of its own. Egypt's most important oilfields are near the upper Red Sea in the Gulf of Suez, and oil exploration is under way along the Red Sea coast of Egypt and Sudan.

As a result, the Gulf of Suez and the Suez Canal are regaining the strategic importance they held before the closing of the Canal in 1967 and the near-simultaneous appearance of supertankers which made economical the shipment of Persian Gulf oil around the Cape of Good Hope. Present oil shipments through the Canal are about 700,000 barrels per day. Shipments through the Suez-Mediterranean (Sumed) pipeline—which crosses Egypt from the Gulf of Suez to the Mediterranean coast near Alexandria and is jointly owned by Egypt and several major oil-producing countries—are at the pipeline's capacity of 1.6 million barrels per day. Egypt has enlarged the Canal to permit transit by larger oil tankers, and there is discussion of further expanding the Canal as well as increasing the capacity of the Sumed pipeline. Cairo's revenues from the Canal—an estimated \$1 billion this year, about one-tenth of foreign earnings—will grow steadily; Sumed pipeline earnings—an estimated \$75 million this year—can also be expected to rise as more oil is moved through the Red Sea.

¹ See foldout map at end of report.

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Soviet and Radical Threats

The signing of the Libyan-Ethiopian-South Yemen Pact in August has intensified the radical, Soviet-backed threat to pro-Western countries in the southern Red Sea area. The Tripartite Pact caps Soviet efforts since 1977 to bring about closer ties between South Yemen and Ethiopia and, more recently, Ethiopia and Libya. The Pact probably will tie Ethiopia more closely to the radical community and increase Ethiopian-backed military and terrorist activity by the Somali Salvation Front against the government of Somali President Siad.

South Yemen continues to support insurgents against the North Yemeni Government of President Salih. Libya mounts subversive activities against President Nimeiri of Sudan, and Ethiopia may be considering support to Sudanese dissidents. External pressures may heighten political tensions within Djibouti.

The radical states act in the shadow of an impressive Soviet military presence. The USSR has furnished substantial military aid and training to South Yemen since the early 1970s and to Ethiopia since 1977 (the Ogaden war); at present, there are approximately 1,000 Soviet military advisers in each country. Soviet military aircraft regularly use Aden airport to patrol the Indian Ocean, and Soviet warships from the Indian Ocean Squadron make regular use of Aden port and of the anchorage at South Yemen's Socatra island. In Ethiopia, Soviet aircraft use Asmara for reconnaissance flights, and the Soviet Navy regularly visits Dahlak island in the southern Red Sea. Soviet warships transit the Suez Canal en route between the Mediterranean and the Indian Ocean. This continuous land, air, and naval presence stands in contrast to the Soviet failure to develop a comparable presence in or around the entrance to the Persian Gulf.

The Soviets could substantially improve their overall military posture in this region by introducing relatively small numbers of men in selected types of military units. The deployment of two or three Soviet squadrons of combat aircraft to Ethiopian or South Yemeni

airfields, for example, could provide air defense and ground support capabilities to a range of about 300 kilometers. A much more sustained buildup would be necessary for Soviet forces to match the kind of forces the United States and its allies can bring into the region.

A Red Sea Strategic Consensus?

These threats give several Arab countries a stake in Red Sea security. Egypt, Sudan, and Saudi Arabia explicitly recognize the strategic importance of the region. All three countries see Soviet activities in the Middle East as designed to weaken pro-Western governments and gain control of the strategic sea lanes and Persian Gulf oilfields. Cairo, Khartoum, and Riyadh also believe that the Tripartite Alliance of South Yemen, Ethiopia, and Libya was probably instigated by the Soviet Union and pursues similar objectives to the USSR.

Jordan's traditional distrust of Soviet goals has been strengthened by Moscow's strong support for Syria. Despite its recent purchase of arms from the USSR, Amman has worked to limit Soviet influence in the Persian Gulf and the Yemens and is sensitive to any threat to its trade route through the Gulf of Aqaba.

Most dramatic, Iraq has been forced to recognize common security interests with its traditional rivals, the moderate Arab countries. Even though Iraq does not border on the Red Sea, its war with Iran has made the Red Sea an important alternative route for exports and imports. Baghdad has received large quantities of civilian and military supplies from Jordanian and Saudi Red Sea ports and is pursuing several road and rail projects—as well as the oil pipeline—across Saudi Arabia, Jordan, and Syria. No matter how the war ends, Iraq will still have to contend with its longstanding strategic problem—Iran's ability to cut Iraq's trade lifeline through the Persian Gulf and Strait of Hormuz. These military and economic incentives for rapprochement with the moderate Arabs coincide with an estrangement from the USSR—prompted by the Soviet cutoff of supplies to Iraq during the war as well as Iraqi worry over Soviet expansionism in the region—and from the radical Arab states—which refused to support Iraq, a fellow Arab country, against Iran.

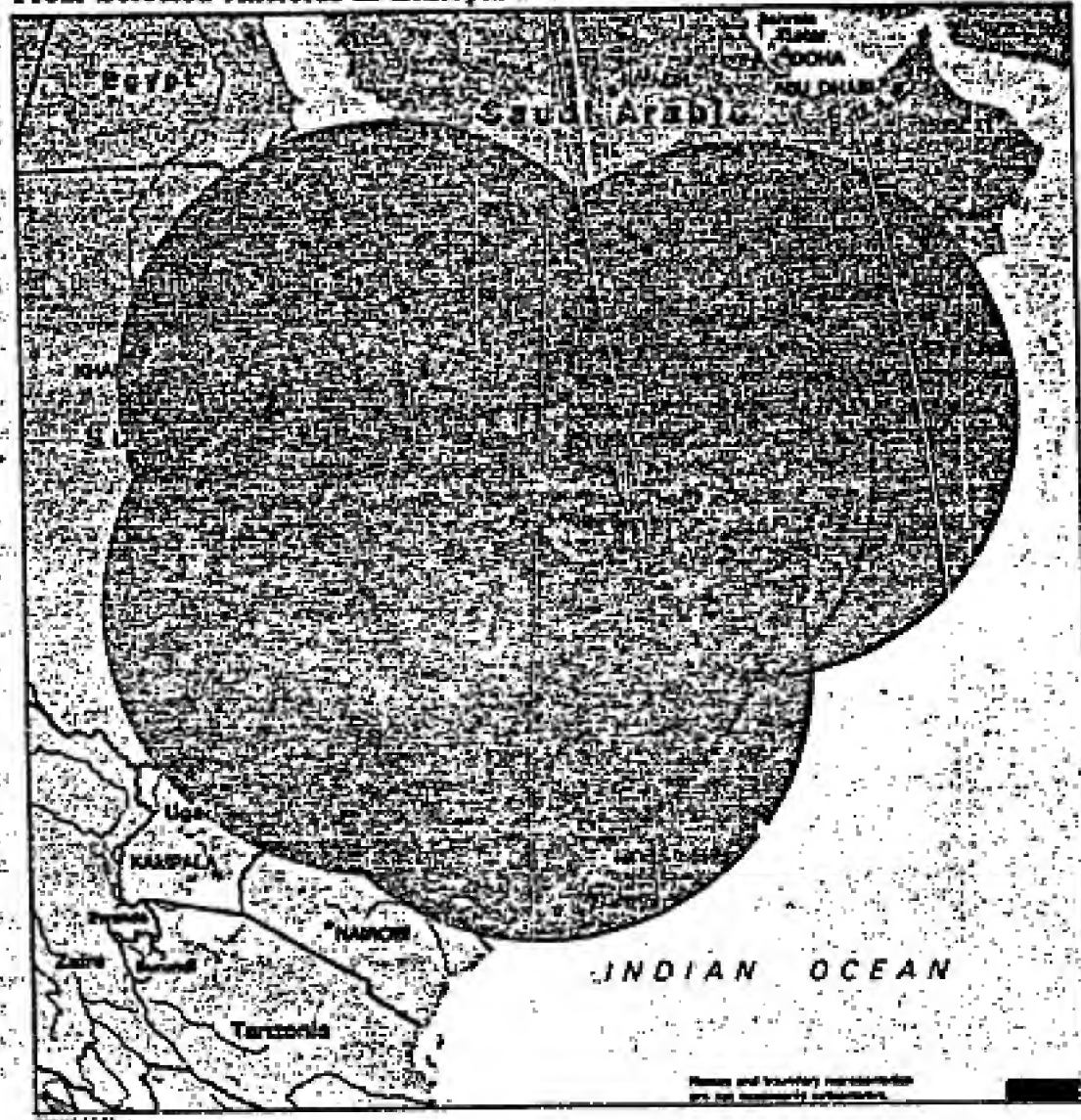
* For regional reactions to the Tripartite Pact, see SNIE 34/76.1-81, 4 November 1981, *The Libyan-Ethiopian-South Yemen Pact: Short-Term Prospects*.

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**Soviet Tactical Air Coverage
From Selected Airfields in Ethiopia and South Yemen**

Figure 1



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Military Advantages of Regional Cooperation

Regional cooperation would offer important military benefits to each country, particularly Egypt and Saudi Arabia. All of the Arab countries involved wish to limit Soviet and radical activity. At the same time, separate military problems make the Red Sea only a secondary consideration for each of them.

With its major forces deployed to stop a potential Israeli attack across the Sinai and a potential Libyan thrust from the west, Egypt has little available to guard Red Sea routes. Cairo has no plans for a strong naval presence in the Red Sea. Moreover, it lacks the capability to project or resupply forces over long distances. Egypt would respond to Libyan adventurism abroad—such as an invasion of Sudan—mainly by threatening a direct attack across the Egyptian-Libyan border rather than by confronting Libya in a third country.

Although to date Saudi Arabia has concentrated on guarding its eastern borders—through measures such as formation of the Gulf Cooperation Council and purchase of the US AWACS—it has indicated a concern about its western seacoast by beginning construction of naval stations and ship repair facilities at Jiddah on the Red Sea as well as at Jubayl on the Gulf. Saudi oil revenues could help Egypt develop sufficient forces to protect the Red Sea. The Saudis presumably see the potential military advantages in cooperating with Egypt in naval training and patrolling, with Egypt concentrating on the northern half of the Red Sea and Saudi Arabia—from its base at Jiddah—concentrating on the southern half.

Saudi Arabia could also strengthen air defense of the southern Red Sea by shifting AWACS coverage from the northeast approaches to the country to the southwest approaches. Such a redeployment would be supported by Oman, which has long argued that Soviet-backed South Yemen is the most serious threat to the security of the Arabian peninsula. Any such shift would depend on the course of the Iran-Iraq war

* Longstanding Egyptian contingency plans call, however, for Cairo to respond to a Libyan attack on Sudan by sending to Khartoum two brigades of commandos and a squadron of MIG fighters.

and on Saudi judgments of their future relations with Iraq—as well as on discussions with the United States, whose personnel will remain on the AWACS.

The military and financial strains of the war with Iran mean that for the foreseeable future Iraq is unlikely to contribute support for Red Sea security.

Obstacles to Regional Arab Cooperation

Two major political obstacles would make it difficult to translate common security concerns into effective regional cooperation unless Soviet and radical activity appeared more threatening than at present.

Saudi Arabia and Iraq are traditional rivals for influence in the northern Persian Gulf. Riyadh took advantage of the Iran-Iraq war to establish the Gulf Cooperation Council, which excludes both Iran and Iraq. While the Saudis welcome Iraq's increased economic ties with Riyadh and other moderate states, they are still uncertain about their long-term relations with Baghdad.

Security cooperation could also be undercut by differences over the proper US military role in the region and the related issue of the Arab-Israeli conflict. Egypt—backed by Sudan—supports a US-sponsored strategic consensus to limit Soviet influence. Both countries favor a high level of US military aid and

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participate in joint military exercises with the United States such as Bright Star 82. Cairo allows the United States to preposition equipment in Egypt and has pushed for substantial US assistance in developing a large military and communications facility at the Red Sea port of Ras Ranas. In effect, Egypt and Sudan argue that pro-Western countries need a US military presence to counter the presence of Soviet and Soviet Bloc military advisers in South Yemen, Libya, and Ethiopia. Moreover, Cairo and Khartoum defend the Camp David Accords, which help both countries cement their relationship with the United States and which guarantee the return of the Sinai to Egypt.

Yemen or Ethiopia; a seizure of power by pro-Soviet groups in Djibouti or North Yemen that threatened radical control of the Strait of Bab-el-Mandeb and perhaps of the southern Red Sea; or an ouster of Nimeiri and a turn to the left in Sudan.

Such developments could drive home to Riyadh, Amman, and Baghdad their increasing stake in Red Sea security and overshadow—at least for a time—longstanding Arab rivalries. A dramatic change in the present regional balance of forces could lead Egypt and Saudi Arabia to recall that they overcame earlier antagonisms during the period between the war with Israel in 1973 and the Camp David Accords in 1978. Iraq has moved far enough from its dogmatically radical stance of the 1960s and early 1970s that cooperation with Saudi Arabia and even with Egypt against a common military threat seems plausible. Baghdad has displayed its pragmatism by refraining from criticizing growing Omani military ties with the United States because Oman has supported Iraq on several issues during the Iran-Iraq war.

Jordan fears an attack from what it considers an increasingly aggressive Israel as much as it fears a conflict with Soviet-armed Syria or turmoil in the southern Red Sea basin. Amman's recent purchase of air defense equipment from the USSR was designed to introduce some balance into its arms supply relationship with the United States—both to avoid criticism from radical Arab states and to avoid the restrictions that the United States has placed on deployment of weapons sold to Jordan.

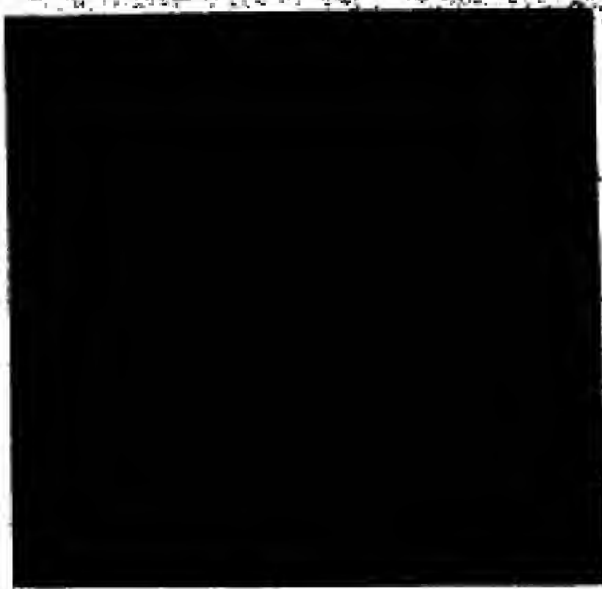
A small-scale regional precedent for cooperation among political rivals is the Gulf Cooperation Council. In that case, the threat of the Iran-Iraq war and a series of Soviet advances in the region brought together countries that differed as widely on foreign policy as Oman and Kuwait and lessened—even if it did not remove—the concern of the smaller Gulf countries about potential Saudi dominance.

Iraq opposes a Western military presence in the region because it aims at a leadership role in the Gulf, the Arab world, and the Nonaligned Movement. Riyadh, Amman, and Baghdad all charge that the Camp David Accords cannot produce a comprehensive Arab-Israeli peace settlement; all three countries criticize Egypt for not pushing Israel hard enough on West Bank and Gaza autonomy.

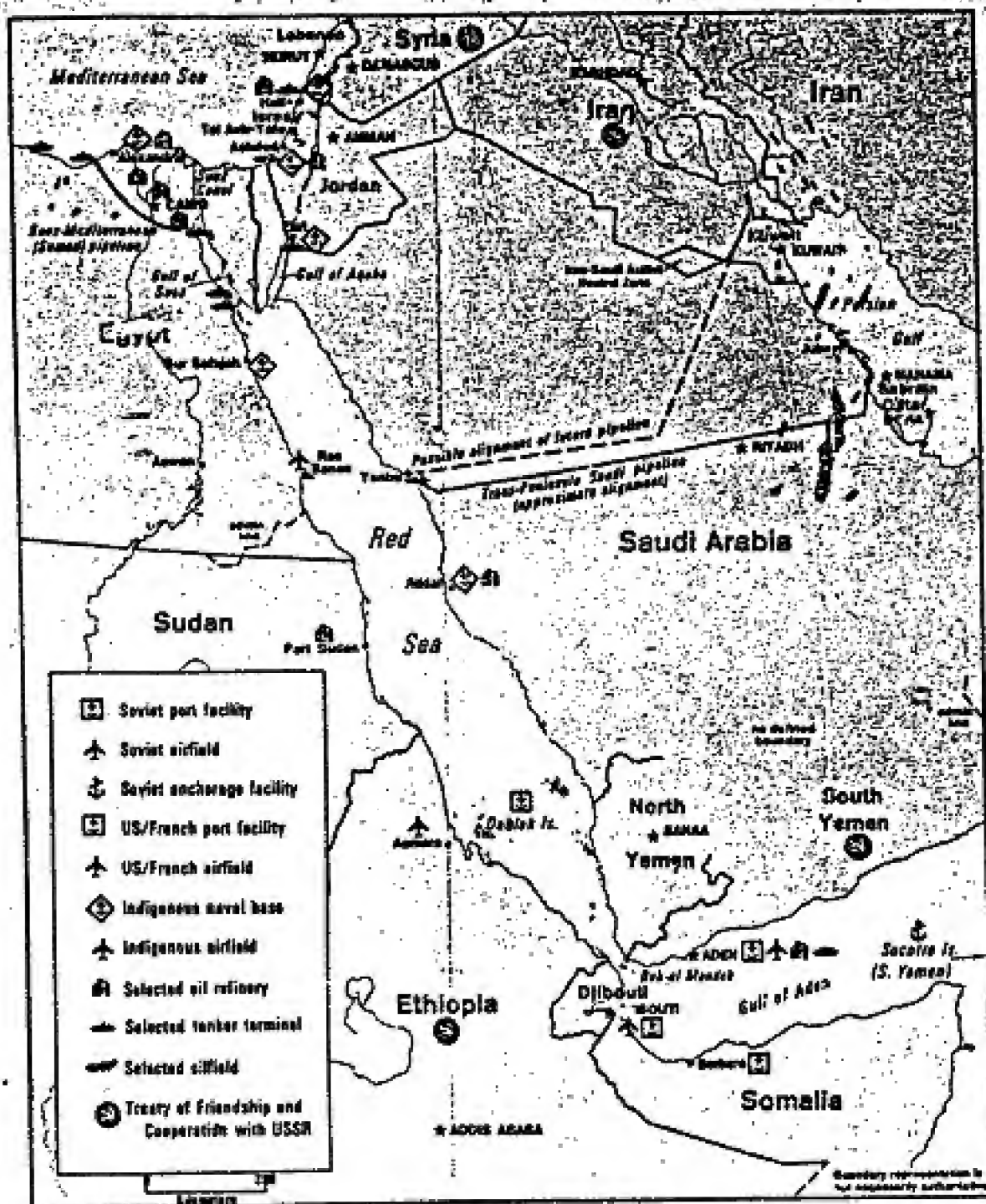
Saudi Arabia, Jordan, and even Iraq might cooperate with Egypt and Sudan if Soviet and radical activities threatened their national interests directly. Such actions might include a major buildup of Soviet military forces to crush a rebellion in South Yemen or Ethiopia or to threaten or coerce states close to South

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Soviet Policy Toward the Middle East

A Research Paper

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Soviet Policy Toward the Middle East

A Research Paper

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Soviet Policy Toward the Middle East

Summary

*Information available
as of 5 December 1986
was used in this report.*

By 1970 the Soviets had good reason to be happy with their accomplishments in the Middle East during the decade and a half since their first inroads with the Arabs. They had developed strong relationships with Nasser's Egypt—the most important Arab country—and with Syria, Iraq, and Algeria. Moscow had also steadily improved its relations with the non-Arab “northern tier” countries of Afghanistan, Iran, and Turkey.

Since then, however, Soviet fortunes in the region have been mixed. The USSR's position has become far stronger in the northern tier, with the United States out of Iran and the Soviets controlling the destiny of Afghanistan. But in the Arab-Israeli theater, the Soviets' position is markedly inferior to that of the United States, because they have failed to make themselves a factor in a solution of the Arab-Israeli conflict or to appeal to the Arabs ideologically or economically.

Thus far in the 1980s, the Soviets have not made significant progress in capitalizing on the gains they made in the northern tier in the late 1970s or in compensating for the setbacks they suffered in the Arab world earlier in the 1970s. They have been unable to replace US influence in Iran with their own or consolidate Marxist rule in Afghanistan despite seven years of military occupation. Their increased presence in Syria, Libya, and South Yemen has not balanced the USSR's loss of influence in Egypt.

General Secretary Gorbachev has yet to make any major innovations in Soviet policy toward the region—save perhaps beginning a tentative dialogue with Israel. But he has demonstrated through his military support for Moscow's Arab and Afghan clients, his frequent meetings with Middle Eastern leaders, and the numerous envoys he has dispatched to the area that the Kremlin intends to be more assertive in promoting Soviet interests. The USSR's primary policy goals in the Middle East during the rest of the 1980s are likely to be:

- Consolidating control in Afghanistan.
- Blocking any US-sponsored Arab-Israeli peace settlement that leaves Moscow out and, optimally, regaining a voice in the peace process.
- Unifying the Arabs into a pro-Soviet front by ending the isolation of the Kremlin's Arab clients: Syria, Libya, and South Yemen.
- Stemming the drift of Algeria and Iraq toward lesser dependence on the Soviet Union and closer ties to the United States.
- Expanding influence in Moscow's key regional targets: Egypt and Iran.
- Eroding Turkey's security ties to the United States.

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Gorbachev's best chances for success seem to be in preventing a US-sponsored Arab-Israeli settlement, in a modest expansion of Soviet influence in Egypt and Iran, and—possibly—in consolidating control in Afghanistan:

- Regaining a major voice in the Arab-Israeli peace process—a primary Soviet goal in the region since 1973—would greatly enhance the USSR's ability to be a major actor in the Middle East. In particular, it would enable the Soviets to block any US-sponsored settlement they believed harmful to their interests. We believe that Soviet concern about the Syrian reaction has prevented Moscow from taking the one step—reestablishment of relations with Israel—that would be most likely to overcome US and Israeli opposition to Soviet participation in the peace process. It appears, however, that Gorbachev is thinking seriously about correcting the blunder the Soviets privately acknowledge they made by breaking relations in 1967. He is likely to move very gradually to give the Arabs time to get used to the idea of better Soviet-Israeli ties before reestablishing full diplomatic relations.
- The USSR faces formidable obstacles in increasing its influence in Egypt and Iran. Soviet officials acknowledge there will be no return to the late 1960s' heyday of the Soviet-Egyptian relationship. Barring major internal unrest in Egypt, the best the Kremlin probably can hope for during the next few years is a marginal improvement in bilateral ties and a growing Egyptian disenchantment with the United States. In Iran, the Soviets seem convinced there can be no significant improvement in relations as long as Ayatollah Khomeini remains in power. This will not preclude an expansion of economic ties, however, and Moscow is certain to attempt to exploit Iranian weakness or domestic turmoil in the post-Khomeini era, which cannot be far off.
- Gorbachev appears determined to stanch what he has described publicly as the "running sore" of Afghanistan. His moves thus far have included a more aggressive pursuit of the rebels, increased military pressure on Pakistan, improved training of the Afghan military, replacement of the Afghan leader, and a diplomatic/propaganda campaign to portray the USSR as flexible about withdrawing. It is too early to tell whether this strategy eventually will allow Moscow to withdraw its forces without undermining the regime in Kabul, but it will take an adroit and

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determined effort to carry it off. The odds are still high that, barring a collapse of Pakistani will, the Soviets will not yet have consolidated Marxist rule in Afghanistan as the 1990s arrive.

The Soviets are likely to continue their efforts to remedy their overdependence on Syria in the Arab world by courting moderate Arab regimes. Moscow could become more willing to buck Damascus' interests if Egypt, other Arab moderates, or Israel make concessions to the USSR that they have avoided thus far, or if a successor regime in Syria proves less stable or more friendly to the West than President Assad's. Even so, Syria would be likely to remain the Soviet Union's most important ally in the Middle East, prompting Moscow to tailor its moves to avoid serious damage to bilateral relations.

Soviet influence in Iraq and Algeria probably will continue to erode—despite Moscow's importance as an arms supplier—as Baghdad and Algiers pursue more moderate foreign policies and more Western-oriented economic policies. These trends appear to be strategic shifts rather than tactical adjustments, and the USSR, in our view, does not have enough to offer economically to reverse them.

Finally, the long-term nature of Turkey's internal problems, the rivalry between Turkey and Greece, and Ankara's doubts about the intensity of US commitments to Turkey promise to continue to provide the Soviets openings to exploit Turkey's weaknesses and to attempt to woo it away from NATO. Nevertheless, Ankara, despite its frictions with Washington, is extremely wary of its northern neighbor and is likely to remain closely linked to the United States, barring an unforeseen breakdown in internal order.

Despite the obstacles it faces, the Soviet Union is certain to be a major actor in the Middle East for years to come. The Soviets regard the Middle East as the most important region of the Third World because of its proximity to the USSR, its vast reserves of oil and gas, and its economic and geostrategic significance to the West and Japan. The Middle East is the Soviet Union's most volatile borderland, and its explosiveness poses dangers because of the high stakes for the USSR and the United States in the region and the possibility that uncontrolled events could lead to a military confrontation between the two. At the same time, this volatility offers opportunities for expansion of Soviet influence that are not present on the USSR's other borders.

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Moscow attaches considerable importance to becoming a coequal of Washington in the Middle East, as the statements of Soviet leaders attest. This competition with the United States is a major determinant of Soviet policy toward the region. Soviet writings and remarks of Soviet officials make it clear that Moscow regards the increased US military presence in the Middle East since the late 1970s as a major security concern and will devote considerable effort to counter it.

This superpower competition and the Soviet leaders' Marxist-Leninist "strategic view" are common denominators that bring a degree of unity to Moscow's policies toward the Middle East. Moreover, the USSR's position on some major regional issues—such as the Arab-Israeli conflict—affects its policies throughout the Middle East. Beyond these unifying factors, however, we believe the Kremlin does not have a "grand strategy" for the Middle East as a whole. Rather it has related but distinct policies toward the widely divergent regions and issues of the Middle East. These policies reflect specific Soviet equities and interests in each region and on each issue, as well as local conditions.

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Soviet Policy Toward the Middle East

Introduction

Expressing a view that we share, a Soviet specialist on US policy toward the Middle East commented [] in October 1985 that:

Moscow's role in the Middle East has been much smaller than it could be, given the Soviet Union's interests in the region, its superpower status, and the Middle East's location on the USSR's southern borders.

This paper explores why this has been the case and assesses the prospects for the USSR playing a more prominent role in the Middle East under General Secretary Gorbachev. Thus, the paper looks at the degree of influence the Soviets wield in different countries. Where have they developed strong influence in the country's military, ruling party, and economic sector? What influence do they have in the country's leadership decisionmaking, especially on questions of foreign policy? How do the Soviets rate the relative importance of the different countries in the region? In which countries do they consider a military presence vital to the projection of Soviet force in the Middle East? In which countries might they consider intervening militarily to protect their investment against internal threat, external invasion, or to expand Soviet influence into a new area?

The paper also examines possible new directions in Soviet Middle Eastern policy during the rest of the 1980s. It pays particular attention to the Soviet view of US influence and intentions in the region—one of the most important factors affecting the Kremlin's formulation of policy toward the Middle East. It concludes with a look at some developments that could have a major impact on Soviet and US interests in the region.

The Middle East as Seen From Moscow

Soviet interests in the Middle East stem first of all from its proximity to the USSR (see foldout map figure 9 at back). As Soviet officials have stressed [] Moscow considers the Middle East to be a Soviet borderland comparable to Latin America for the United States. One Soviet official told a [] the USSR considers the Mediterranean area to be as strategically important to the Soviet Union as the Caribbean area is to the United States. The Soviets repeatedly have made public declarations of their vital interests in the Middle East since 1955, when a Foreign Ministry statement contended that US attempts to establish military blocs and bases in the "Near and Middle East have a direct relation to the security of the USSR . . . [which is] located in direct proximity" to the region. In arguing that the entire Middle East is their borderland, the Soviets capitalize on the ambiguities of the geographic scope of the region and its different connotations in Soviet and Western usage (see inset).

Other factors that make the Middle East important to the USSR include:

- **Energy.** The region's vast deposits of oil and natural gas make it vital to the functioning of the economies of many Western and Third World countries. The USSR itself is self-sufficient in oil and natural gas but frequently has considered it cost effective to purchase these commodities in the Middle East or, in the case of oil, to accept it as payment for arms.¹ Soviet domestic oil production peaked in 1983.

¹ The Soviets resell most of this oil.

"Middle" or "Near"?

The Soviets divide the Middle East into three regions. They define the "Middle East" as Turkey, Iran, and Afghanistan—the three countries of the area that border the USSR. They classify the countries of the Levant (Syria, Lebanon, Jordan, and Israel) and the Arabian Peninsula, along with Iraq, Egypt, and Sudan under the "Near East," and the rest of the countries of North Africa west of Egypt under the term "North Africa." Correspondingly, coverage of the region in the Soviet Foreign Ministry is broken down into one department for the "Middle East," and another for the "Near East" and "North Africa." This paper examines Soviet policy in all three areas and, for sake of clarity, defines the entire region as the Middle East (see foldout map figure 11 at the back.)

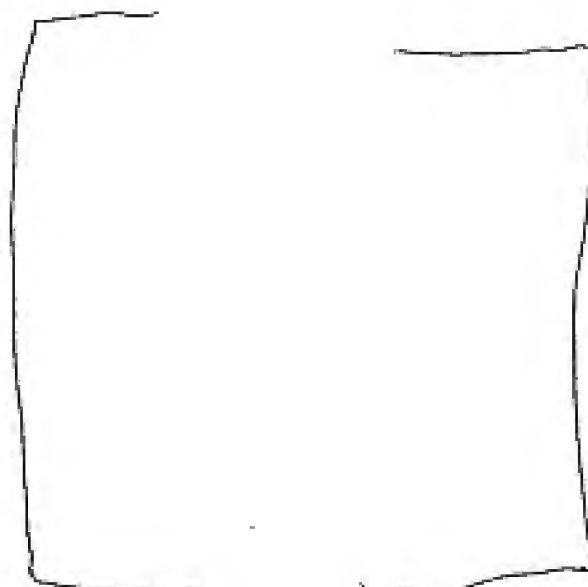
Although the downward trend was halted in 1986, the questionable prospects for a sustained rebound in output suggest that the Soviet Union will increase its purchases of Middle Eastern oil in the next few years.

- **Hard currency.** Despite the relative insignificance of the Middle East in overall Soviet trade (about 5 percent of dollar value), arms sales to the countries in the region have been a major hard currency earner. Since 1955 the Soviets have signed arms deals worth approximately \$67 billion with Middle Eastern states—about 70 percent of total Soviet arms sales to the non-Communist Third World.

Earnings from these sales (in hard currency or its equivalent) have averaged about \$5 billion annually during recent years, or 15 to 20 percent of total Soviet hard currency earnings. These earnings have declined steadily, however, from the peak year of 1981 both in dollar terms and as a percentage of Soviet arms deliveries to Third World countries (see table 1).

- **Islam.** Beside the natural concerns any country has with a neighboring region, the USSR has the added concern that the Middle East contains many of the same religious and ethnic groups found within its

own borders (see figure 2). The approximately 45 million members of Islamic ethnic groups in the Soviet Union (roughly 16 percent of the total Soviet population) by and large have not been a security threat to the Communist regime since it subdued the Central Asian Basmachi rebels in the 1920s. Since the late 1970s, however, signs of increasing religious awareness among Soviet Muslims, coupled with the upsurge in Islamic fundamentalism in Iran, have prompted Soviet leaders to pay closer attention to the "Islamic factor" and to increase anti-Islamic propaganda. Just how seriously Soviet leaders regard the threat of "contamination" of



their Muslim population is unclear. A senior Soviet official

that concern over the impact that Islamic fundamentalism in Afghanistan and the Middle East as a whole could have on Soviet Muslims played a role in the Kremlin's decision to intervene. At any rate, it seems safe to conclude that the primarily Slavic leaders in the Kremlin view this issue with some concern. It gives a foreign policy question a domestic security angle and decisions about the treatment of a domestic minority implications for Soviet relations with Muslim countries.

- *Western and Japanese involvement.* Beyond its intrinsic value, the Middle East takes on added significance for the USSR because of the longstanding interest the Western powers and Japan have had in the region. The West European colonial powers dominated the Middle East until World War II, and the United States has been the predominant outside power since. Turkey represents NATO's southeastern flank, and the Levant and North Africa lie opposite NATO's entire southern flank. The West and Japan are vitally interested in the Middle East because of its vast reserves of oil and natural gas and its geostrategic location at the confluence of Asia, Africa, and Europe. The Western military presence—mainly US—is a primary concern to Moscow.

Table 1
Soviet Arms Deliveries to Middle Eastern Countries

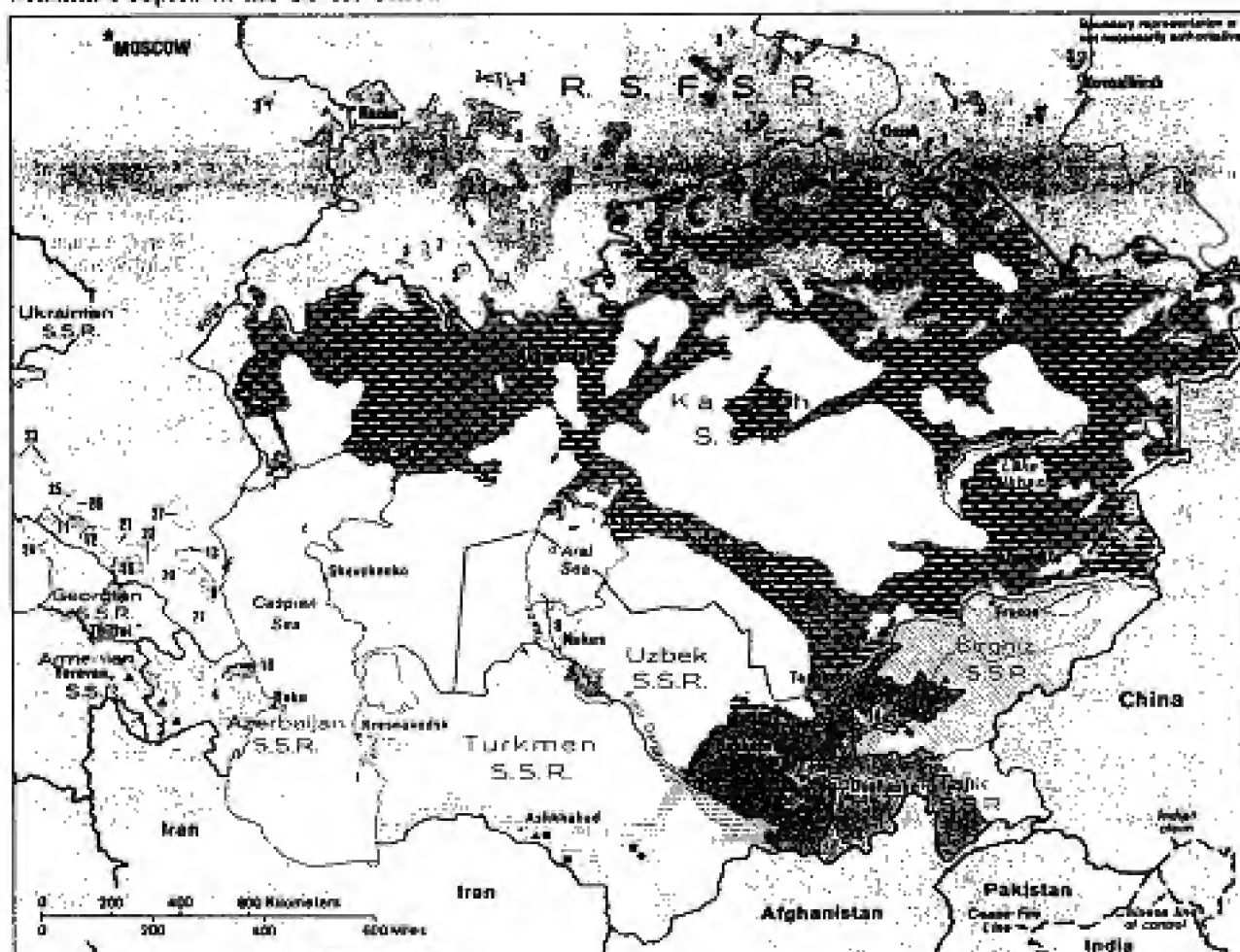
	Value (billion US \$)	As percentage of Soviet Arms Deliveries to the Non-Communist Third World
1978	4.3	67
1979	7.1	80
1980	5.8	70
1981	6.3	75
1982	6.6	74
1983	5.3	68
1984	4.6	61
1985	3.3	57
1986	1.4*	

* Through August.

For all these reasons, we believe the Soviets regard the Middle East as the most important region in the Third World. Yet, in the context of overall Soviet foreign policy, the Middle East takes a backseat to control over Eastern Europe, the strategic competition with the United States, the relationship with China, and relations with Western Europe.

The potential security threat to the Soviet homeland from the Middle East pales in comparison with those faced from the USSR's Central European and Far Eastern border regions. The overwhelming bulk of the Soviets' conventional forces and all of their intermediate-range nuclear missiles are stationed in these areas. The Middle East, however, is the USSR's most volatile borderland. The region's explosiveness poses potential dangers to the Soviets because the high stakes both the USSR and the United States have in the area mean that uncontrolled events could precipitate a military confrontation between the two superpowers. At the same time, the Middle East's volatility offers potential opportunities for rapid expansion of Soviet influence that are not present on the USSR's other border.

Figure 2
Muslim Peoples in the Soviet Union



Turkic Peoples

	1979 Population (in thousands)
1. Uzbeks	12,456
2. Kazakhs	6,556
3. Tatars	6,317
4. Azerbaijanis	5,477
5. Turkmens	2,029
6. Kirghiz	1,906
7. Bashkirs	1,371
8. Karakalpakhs	303
9. Kumyks	228
10. Uighurs	211
11. Karachays	131
12. Balkars	66
13. Nogays	60

Iranian Peoples

	1979 Population (in thousands)
14. Tajiks	2,690
15. Ossetians	542
16. Kurds	116
17. Iranians	31
18. Tats	22
19. Baluch	19

Peoples of the Caucasus

	1979 Population (in thousands)
20. Chechens	756
21. Kabardians	322
22. Ingush	186
23. Adygheys	109
24. Abkhaz	91
25. Cherkess	46
26. Abazins	29
27. Dagestani peoples:	
Avars	483
Lezgins	383
Dargins	287
Laks	100
Tabasarans	75
Rutuls	15
Tsakhurs	14
Aguls	12

Non-Muslim people

Sparsely populated or uninhabited areas are shown in white.

The Ideological Dimension

The Middle East has not proved to be fertile ground for the export of Marxism-Leninism. Only in South Yemen and Afghanistan have Marxist regimes emerged, and even in those countries ideological roots do not run deep. The Communist parties in most of the other countries of the region have been largely irrelevant. The Soviets continue to support Communist parties and leftist movements in the region and undoubtedly seek the establishment of additional Marxist regimes. They have consistently shown, however, that they are willing to tolerate the suppression of the left if a Middle Eastern regime adopts a pro-Soviet foreign policy

A Key Factor: Competition With Washington

A leading Soviet expert on the United States told a Kuwaiti newspaper in December 1984:

When Kissinger was dealing with the Middle East, he did not consider Israel, Egypt, or Saudi Arabia, but he considered only the United States and the Soviet Union. This is the view of the current US Administration.

We believe this bipolar perspective also has long been the view of the leaders in the Kremlin. The Soviets' desire to erode US influence and replace it with their own has played a major role in most moves they have made in the Middle East since the decline of British influence in the region following World War II.

For decades the Soviets have expressed open resentment and ridicule of Washington's claims that the United States has vital interests in the Middle East. The Soviet Foreign Ministry statement of 1953 asserting that the Middle East was vital to Soviet security because of the USSR's proximity went on to state that the same could not be said "about the USA,

located thousands of kilometers from this region." A quarter of a century later, then Foreign Minister Gromyko stated during a speech two months after the Carter Doctrine was pronounced that US foreign policy circles

... are stressing more and more often and with greater importance the "vital interests" of the USA. It is asserted that in the Persian Gulf and, for that matter, anyplace where there are sources of oil are areas where US "vital interests" are involved. . . . It is said that the same "vital interests" are present in the Middle East. In all parts of Asia—south of our borders—it is the same thing.

Gorbachev made a similar remark in October 1985 in the joint press conference he held with French President Mitterrand during their meetings in Paris.

Despite this resentment, Soviet leaders clearly recognize that the United States is, indeed, vitally interested in the Middle East. Soviet commentaries note the importance US presidents have attached to the region dating from the Truman Doctrine of the 1940s, through the Eisenhower Doctrine of the 1950s, and the Carter and Reagan Doctrines of the 1980s. One scholarly Soviet study of US Middle Eastern policy in the 1970s highlights President Nixon's statement to Congress in May 1973 that "no other crisis region of the world has greater importance or priority for the USA than the Middle East.

The Soviets attach vital importance to the increased US military presence in the Middle East that began in the late 1970s. Ignoring US concerns over the Soviet invasion of Afghanistan and possible Soviet exploitation of turmoil in post-Shah Iran, Moscow has portrayed all the recent deployments of US forces to the Middle East as "bridgeheads" for the future use of US military power in regional states and against the USSR itself. Soviet propaganda, for example, depicts the battalion of the US 82nd Airborne Division that participates in the Multinational Force of Observers monitoring the Egyptian-Israeli border in the Sinai as

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a "shock unit of the US 'Rapid Deployment Force' " (RDF). A 1983 Soviet study of US policy in the Third World claims that the Reagan administration's goal is

the establishment of US military control over the resources of the Near and Middle East; the creation of a hotbed of tension close to the Soviet border; the imposition of constant pressure on the USSR from the south

Despite the self-serving exaggeration of such rhetoric, the Soviets have apparently regarded Washington's actions as a serious challenge to their position in the region. Lebanon is a case in point. Brezhnev stated publicly just prior to the formal US announcement that a contingent of Marines would be deployed to Beirut in the aftermath of the Israeli invasion of 1982 that the Soviet Union was "categorically opposed" to such a move, which, if it occurred, would force the USSR "to build its policy taking this fact into account." The Soviet decision to deploy SA-5 surface-to-air-missile (SAM) units to Syria was taken shortly after Brezhnev's warning. The Kremlin probably would have sent the SA-5s even without the US military deployment given the damaged state of Syria's defenses and Soviet-Syrian relations, but the Marine deployment may have erased any doubts the Soviets had about the necessity of such a move.

The creation of the RDF and later the US Central Command (CENTCOM) appears to be a particularly worrisome development for Moscow [

[

] Soviet media continually focus on CENTCOM's activities in the Middle East, particularly on its alleged creation of bridgeheads for future military action against regional countries—including the USSR

In addition to the US forces in this region, the Soviets also have to consider the military potential of US allies France, Great Britain, and Italy, not to mention Turkey. The Soviets realize, however, that the United



A US B-52 bomber drops bombs in Egyptian desert during last day of joint US-Egyptian "Bright Star" exercise

States and the West Europeans do not always agree on Middle Eastern matters, thus reducing the usefulness to Washington of the West European forces in the region. Moreover, Moscow's own East European and Cuban allies have numerous military, security, and economic advisers in Middle Eastern countries who complement the USSR's presence and give the Kremlin another lever with which to influence regional governments, insurgents, and terrorist groups. Unlike Washington's allies, though, none of these Soviet allies—with the possible exception of Cuba—is capable of force projection in the Middle East

Overview of Soviet Fortunes in the Middle East Since 1970

To evaluate the Soviets' current position in the Middle East, their past record in the region should be examined, especially during the period since the

height of Soviet influence in 1970.² The Soviet successes in the late 1960s in Egypt, Syria, and Iraq, coupled with the steady improvement in relations with the northern tier countries, gave Moscow the strongest position it has ever enjoyed in the Middle East. The comment of one Western scholar that the USSR's status in the region at the start of the 1970s "can only be regarded as a singular triumph from the perspective of the past" is representative of the generally held view in the West at that time.

1970-73

Nasser's death in September 1970 marked the beginning of the decline of Soviet influence in Egypt and in the Arab world in general. His successor, Anwar Sadat, did not share his view of the importance of Soviet support for Egypt and resented Moscow's intrusive presence in the country. Sadat—at first tentatively, then decisively—moved to reduce Soviet influence. His first step in May 1971 was to remove the pro-Soviet faction headed by Ali Sabry, who sought to replace Sadat.

Two months after Sabry's removal, the Soviets suffered another blow, this time in Sudan. The Sudanese Communist Party—then the largest and most influential in the Middle East—backed a military coup against President Nimeiri and subsequently was decimated after he managed, with Sadat's help, to restore control. Soviet influence in Sudan declined precipitately.

² For background on Russian/Soviet involvement in the Middle East prior to 1970, see appendix 7.

³ Aaron S. Klieman, *Soviet Russia and the Middle East*, Studies in International Affairs No. 14 (Baltimore: The Johns Hopkins Press, 1978), p. 13.

Over the next few years, Sadat made a decisive break with Moscow and threw Egypt's lot in with the United States. He sent most of the Soviet military personnel stationed in Egypt home in July 1972 and deprived the Soviets of the use of Egyptian air bases and most naval facilities.⁴ Although Soviet weapons enabled Egypt to score early gains in the October 1973 Arab-Israeli war, Sadat turned to Washington at the end of the fighting to obtain a settlement with Israel. Soviet-Egyptian relations steadily deteriorated as the United States brokered Egyptian-Israeli disengagement agreements in 1974 and 1975. The process culminated in Sadat's abrogation of the Soviet-Egyptian friendship and cooperation treaty in 1976 and his decision a year later to seek a separate peace with Israel using the United States as a middleman. Within a short span, the Soviets saw their premier relationship in the Middle East—one that had taken 15 years and extensive military and economic aid to build—crumble and Washington pick up the pieces. And they were unable to do anything to prevent it.

The loss of Egypt forced the Soviets to shift their support to the more radical Arabs, who also opposed Sadat's willingness to negotiate unilaterally with Israel. Syria and the PLO became the USSR's primary clients in the region beginning in the mid-1970s. Moscow also developed closer ties to Libya and

⁴ Sadat completely cut off Soviet use of Egyptian naval facilities in 1973.

Bilateral trade soared, and the two signed an accord on "Good Neighborly and Friendly Cooperation" in 1978.

1979-86

Since 1979 the Soviets have improved their position in the northern tier and benefited from US setbacks in the Middle East as a whole. Moscow's position in the Arab-Israeli arena, however, has not markedly improved.

The USSR received a strategic windfall in the northern tier in 1979 with the demise of the Shah and the loss of US influence in Iran. An article in the Soviet scholarly journal *Narody Azii i Afriki* in 1979 stated that:

As a result of the Iranian Revolution, a change has taken place in the balance of power in the Near and Middle East. The liquidation of the pro-Western . . . regime of the Shah and the collapse of the military-political bloc, CENTO, has weakened the economic and strategic position of the West, and especially that of the United States, in the region and in the entire world.

Instead of an Iran that acted as a US "gendarme" in the region

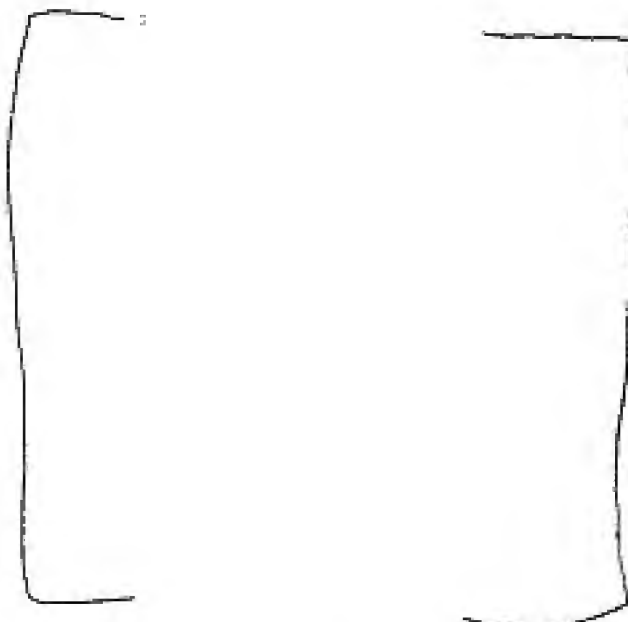
the Soviets now had a neighbor that was viscerally opposed to the United States. Moscow, however, was able to make little headway of its own in Tehran during the first three years of Ayatollah Khomeini's rule. By the spring of 1982, the Soviets—evidently concluding that as long as Khomeini was in power their prospects for increasing influence in Tehran would remain poor—abandoned attempts to court the regime and tilted toward Iraq in its war with Iran. Since then, relations have remained frigid.

The invasion of Afghanistan in December 1979 put Soviet forces in control of Kabul for the first time. The Afghan resistance, however, grew even stronger

Algeria, while South Yemen became the first Arab country to be ruled by a Marxist regime when 'Abd al-Fattah Isma'il seized power in 1978. Although Iraq was a major Soviet arms client and signed a friendship and cooperation treaty with the USSR, by 1978 it had begun buying arms from the West and cracking down on the Iraqi Communist Party.

The Soviets were unable to duplicate elsewhere in the Middle East the naval and air facilities they lost in Egypt (and in Somalia in 1977). Through wider use of port facilities in Syria, South Yemen, and other countries and greater dependence on replenishment at sea, however, they continued to maintain sizable naval contingents in the Mediterranean and the Indian Ocean.

The Afghan Marxists' seizure of power in 1978 was a breakthrough for Moscow in the northern tier. Soviet involvement in Afghanistan, already extensive, grew markedly under the Taraki regime. The Marxist takeover in Kabul, however, strained Soviet ties to the Shah of Iran. The cordial relations they had developed in the 1960s and early 1970s had already begun to sour as a result of Iran's expanding military ties to the United States and more assertive regional policy, which often clashed with Soviet interests. With Turkey, on the other hand, the Soviets managed to continue and even broaden the detente of the 1960s.



after the invasion and prevented the Soviets from consolidating control, much less capitalizing throughout the region on their military presence. The invasion, in fact, made most Middle Eastern states even more suspicious of Soviet intentions and, coupled with the Iranian revolution and the outbreak of the war between Iran and Iraq, convinced some Arab countries (as well as Pakistan) to increase military cooperation with the United States.

The Soviets reaped some benefits from the anti-US backlash generated by the 1978 Camp David accords between Egypt and Israel and by Washington's abortive attempt to establish a pro-US central government in Lebanon following Israel's 1982 invasion. The USSR and Syria moved even closer together than they had been prior to the late 1970s. They signed a friendship and cooperation treaty in 1980, and Moscow qualitatively increased its involvement by sending two SA-5 SAM units to Syria in 1983 manned by approximately 2,000 Soviet personnel.

The USSR's other main Arab client, the PLO, underwent a serious decline beginning in 1982 with the Israeli invasion of Lebanon, which was aimed at eradicating PLO influence in that country. The jolt of the PLO's defeat led to a rift within Fatah, the PLO's main faction, and a falling out between PLO leader Arafat and Syrian President Assad. Moscow's failure

to help Arafat during the invasion and its unwillingness to jeopardize its relationship with Damascus by stepping in forcefully to resolve the Arafat-Assad feud strained its relations with the PLO chief. Arafat's setbacks led him to consider a political solution to the Palestinian problem through joint action with Jordan and—potentially—cooperation with the United States, a move that further chilled Soviet-PLO relations. The USSR moved no closer to its goal of being included in Arab-Israeli negotiations on the Palestinian issue but took solace from Washington's inability to convince other Arabs to join the Camp David framework for peace talks with Israel.

Libyan leader Qadhafi's growing fear of US intentions after US Navy jets shot down two Libyan aircraft over the Gulf of Sidra in 1981 prompted him to grant the Soviets wider access to Libyan naval and air facilities. That same year, Muslim fundamentalists in Egypt assassinated the Soviets' most formidable opponent in the Arab world, Anwar Sadat. The death of such an important US ally was a windfall for Moscow, but Egyptian President Mubarak has maintained his country's close links to Washington. Mubarak has avoided Sadat's outspoken anti-Sovietism but moved much more slowly in normalizing relations than the Soviets had hoped. Although ambassadorial ties were resumed in the summer of 1984, there has been no significant improvement in overall relations.

Perhaps one of the USSR's most significant achievements in the Arab world over the last few years has been its improvement in relations with Iraq. Seeing no prospects for gains in Iran and fearing an Iranian victory over Iraq, the Soviets began in 1982 to provide Baghdad with the weaponry it required to pursue the war. Political relations have improved as a result, but the legacy of past disputes has only been put aside, not forgotten. The relationship remains narrowly based on the supply of arms, and the Soviets continue to be worried about Iraq's increasing political, economic, and military contacts with the West—including the United States.

~~Secret~~

Moscow similarly has been concerned over Algeria's drift Westward since President Bendjedid took over in 1979. The Soviets have tried hard to arrest the drift but with little success. The care and thoroughness with which Bendjedid has shifted Algeria's economy away from the socialist model and its foreign policy from a heavily pro-Soviet "nonaligned" stance suggest that these are strategic rather than tactical moves.

On the Arabian peninsula, the Soviet Union maintained its position in South Yemen despite the ouster of the staunchly pro-Soviet Isma'il in 1980 and the bloody coup against his successor, Hasani, in January 1986. The Soviets also managed to move closer to the regime in North Yemen without reducing their support for the South. Moscow and Sanaa signed a major arms deal in 1979 and a friendship and cooperation treaty in 1984. That positive trend has been jeopardized, however, by the frictions that the most recent coup in Aden has generated in Soviet-North Yemeni relations.

The Soviet invasion of Afghanistan and the war between Iran and Iraq initially prompted most of the conservative Gulf states to increase security cooperation with the United States and shun establishing relations with the USSR. By 1985, however, the effects of these shocks had lessened, and the Gulf states' disenchantment with US support for Israel had increased to the point where Oman and the United Arab Emirates (UAE) established relations with the Soviet Union. The other Gulf states appear to be moving in the same direction, although suspicion of Soviet complicity in Hasani's ouster is likely to slow the process.

Gorbachev's record since assuming power in March 1985 suggests that the United States can expect a more activist and tactically flexible Soviet policy in the Middle East than it has faced since the early 1970s. He has yet to make any major innovations in Soviet policy toward the region—save, perhaps, beginning a tentative dialogue with Israel. But he has demonstrated through his military support for Moscow's Arab and Afghan clients, his frequent meetings with Middle Eastern leaders, and the numerous envoys he has dispatched to the area that the Kremlin intends to be much more assertive in promoting Soviet interests.

The Soviet Balance Sheet Today

The Arab World

The Strategic Prize: Egypt

The Soviets have yet to recover fully in the Arab world from their loss of Egypt. Soviet influence in Syria, Libya, and South Yemen hardly replaces the loss of influence in Egypt, which Moscow openly acknowledges, in the words of one Soviet scholar, as "the key and most important country of the Arab world." The Arabs' chances of winning or even holding their own in a war with Israel without Egyptian participation are slim.

Recognizing Egypt's strategic importance in the Middle East, the Soviets are devoting considerable effort to rebuilding their influence there or, at least, reducing Cairo's dependence on the United States. Since the return of ambassadors in the summer of 1984, the foreign ministers have met at the United Nations [

] Moscow also has toned down its media criticism of Egyptian policies. [

[

Obstacles to Closer Relations. Egypt's estimated \$2.5 billion debt for past military purchases from the USSR appears to be the most immediate obstacle hindering an expansion of bilateral ties. The Egyptians have not serviced the debt since 1977, when Sadat unilaterally declared a 10-year moratorium on payments. [

] the Soviets have made resolution of the debt a precondition for meeting Egyptian requests for expanded trade and military equipment. Moscow, in our view, does not expect to recover the entire debt, but it wants the

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Factsheet on Soviet-Egyptian Relations

Soviet Ambassador: Gennadiy Zhuravlev (assumed post in September 1986)

Egyptian Ambassador: Salah Hasan Bassiouni (assumed post in September 1984)

*Estimated Number of Soviet Personnel
in Egypt (excluding dependents)*

<i>Diplomatic^a</i>	170
<i>Military advisers and technicians</i>	0
<i>Economic advisers and technicians</i>	200
Total	370

Estimated Number of Egyptian Personnel Receiving Military Training in USSR

1980	0
1981	0
1982	0
1983	0
1984	0
1985	0

Soviet Trade With Egypt (million US \$) ^b

	Exports	Imports	Total
1975	364	623	987
1980	266	325	591
1981	339	372	711
1982	302	417	719
1983	345	482	827
1984	341	332	673
1985	338	364	702

*Soviet Economic Credits/Grants Extended
(million US \$)*

1975	0
1980	0
1981	0
1982	0
1983	0
1984	0
1985	0

Military Sales (million US \$)



Facilities Used by Soviet Military

None

- *All officials—political, economic, military, intelligence—who work in the Embassy, as well as media and trade representatives.*

^b From official Soviet statistics, which do not include all military trade.

Egyptians to begin making at least minimal payments on the principal before it is willing to engage in major new transactions. Although bilateral trade is likely to expand, Egypt's growing financial difficulties and the USSR's own economic stringencies limit both sides' ability to compromise on the debt issue and probably will constrain any significant expansion of overall trade.

Despite Cairo's hope to use the "Soviet card" in bargaining with Washington, Egyptian leaders have repeatedly stated in public that they are not about to reduce Egypt's strong political, military, and economic ties to the United States. Although the Egyptians need spare parts to keep their Soviet weapons purchased in the 1960s and 1970s functioning, they have made the expensive and disruptive shift to dependence on Western arms and do not appear anxious to purchase major weapon systems from the Soviets. Such purchases would not only create more logistic problems for the Egyptians and risk making them dependent on Moscow again but also might undermine their access to US arms. Cairo is likely during the next five years to purchase relatively small amounts of Soviet weapons and only those types that do not require a sizable Soviet advisory presence in Egypt.

Fundamental political differences between Moscow and Cairo also stand in the way of a major improvement in relations, and those differences are unlikely to abate significantly. The two sides take different approaches to resolving the Arab-Israeli dispute. Although the Egyptians endorse the concept of an international conference on the question—the Kremlin's pet project—they see greater merit in direct negotiations between the parties (what the Soviets criticize as "separate deals") to pave the way for a comprehensive settlement. In addition,

see the USSR's role more as one of a guarantor than as an active participant in the formulation of a final settlement.

Moscow's ties to Syria and Libya—Cairo's two main rivals—also impose some limits on any significant improvement in Soviet-Egyptian relations. The Soviets probably would justify any move closer to Egypt by trying to convince Damascus that they were

drawing Cairo away from Washington. The prospects for major Soviet advances in Egypt during the next few years are unlikely to be good enough, however, for the Soviets to risk undermining their position in Syria, which has taken so long to build. Moscow is less concerned about upsetting Libyan leader Qadhafi but still will not want to jeopardize its growing military access to Libya for uncertain gains in Egypt.

Moscow's Goals. The Soviets are likely to downplay these political differences with the Egyptians.

It appears, however, that Moscow, although the suitor, is not prepared to give something for nothing. Karen Brutents, senior Middle Eastern specialist in the CPSU Central Committee's International Department, noted in an interview in October 1984 that the improvement of bilateral relations "depends more on Egypt." That view apparently holds today. The Soviets' immediate aims seem to be:

- Poisoning US-Egyptian relations.
- Undermining Egypt's commitment to the Camp David accords.

- Achieving at least minimal progress in economic relations.
- Fostering a rapprochement between Cairo and Damascus.

Achievement of these goals would clear the path for a broader improvement in bilateral ties and minimize the risk of undercutting Soviet relations with Syria.

The Soviets apparently do not expect major progress any time soon in realizing these goals.

We believe that Egypt, while giving greater emphasis to its nonalignment, will almost certainly remain in the US camp for at least the next few years. Further limited improvement in Soviet-Egyptian ties is probable, but

there will be no return to the close relationship of the late 1960s. The Egyptians have made it clear that they do not intend to repeat that experience.

The Linchpin: Syria

Syria has been central to the Soviets' interests in the Middle East since the early 1970s. Their relationship with Syria—by far the most powerful Arab "confrontation" state opposing Israel—has provided them entree into the Middle East and influence in the Arab-Israeli dispute. Moscow and Damascus have been drawn together by some common objectives—above all, to prevent Israel and the United States from achieving separate peace settlements between Tel Aviv and each of its Arab neighbors—as well as by the USSR's lack of alternative avenues of influence in the region and Syria's lack of alternative sources of military support. To achieve their objectives, they have had nowhere else to turn but toward each other. In our view, it is this mutual dependence rather than affinity or ideological compatibility that has solidified the relationship.

Military Backing: The Tie That Binds. The dominant factor in the Soviet-Syrian relationship is Moscow's willingness to provide military support. The Soviets have delivered almost \$17 billion worth of weapons through 1985 to Syria, more than to any other Third World client. The USSR and its East European allies provide Syria with virtually all of its arms and, in recent years, have ensured that it is among the first to receive newly exported versions of Soviet weapons.

The dollar value of Soviet weaponry delivered has decreased since the peak year of 1980, but the decline probably will be reversed soon.

the Syrians will soon receive their first MIG-29s (see figure 3 and foldout figure 11 at the back).








Beyond the approximately 3,000 Soviet military advisers and technicians with Syrian forces (see inset, page 15), the USSR has some independent military units of its own in Syria. The most significant were the two SA-5 SAM units the Soviets sent to Syria in early 1983. There were some 2,000 Soviet personnel manning the SA-5 complexes at Hims and Dumayr until they began leaving in October 1984.

strongly suggest that there now are 50 to 100 Soviet advisers and technicians at each complex and that they—along with the Soviets at the Syrian air defense headquarters in Damascus—maintain a primary role in the command and control of the missiles. Final control over firing the missiles,

¹ See figures in inset on page 13.

² For

Figure 3
Selected Weapon Systems the Soviets Might Provide
Syria During the Rest of the 1980s

	Description	Introduced in Soviet Forces
Air/Air Defense Systems		
SA-10 	Transportable, medium-range (100 km) SAM. Newest, most capable Soviet system. Effective against aircraft at all altitudes. Radar can be used with other SAMs against low-altitude targets.	1980
SA-11 	Mobile low-to-medium altitude, medium-range (30 km) SAM.	1982
MIG-27 Flogger D/J 	Improved MIG-23 ground attack aircraft with greater payload and better navigation system. J variant equipped with laser range-finder and target designator.	1975/1978
MIG-29 Fulcrum 	Latest Soviet combat aircraft. Designed for close air-to-air combat. May also serve as a fighter-bomber. Only small number produced thus far.	1984
SU-25 Frogfoot 	Latest Soviet ground attack aircraft. In use with Soviet forces in Afghanistan and exported to Iraq in 1985.	1981
Ground Forces Systems		
T-80 	Latest Soviet medium tank with gas turbine engine, improved armor protection, and better mobility than earlier tanks. Able to fire antitank guided missile through gun tube.	1981
Naval Systems		
F-Class Submarine 	Diesel-powered attack submarine. Already exported to several countries outside the Warsaw Pact.	1958

Note: Data based on information as of November 1985.

Soviet Military Advisory Presence

To assist the Syrians in operating and maintaining Soviet equipment, as well as to train them in general military tactics and doctrine, Moscow maintains approximately 3,000 military advisers and technicians in Syria. They are present at virtually every level of the Syrian armed forces, from battalion to general command. The Soviets, themselves, assist in, manning—and in some cases exclusively operate— most of the advanced electronic warfare equipment and the air defense early warning and command-and-control network in Syria.

— Moscow also maintains a dozen or so advisers and technicians with Syrian combat and early warning radar units in Lebanon, according to liaison source:

In addition, the Soviets provide Damascus with military intelligence

— We assume that, since 1981, during periods of Syrian-Israeli tensions, the Soviets have passed intelligence to the Syrians gleaned by intelligence collection ships and aircraft deployed to the area.

however, probably has been turned over to the Syrians. Remaining independent Soviet units in Syria include:

—

Economic Aid. Soviet economic assistance to Syria has been highly visible but, when compared to Arab and Iranian aid, relatively modest. Since the late 1950s, the Soviets have focused their assistance on such large-scale projects as the Euphrates hydroelectric complex, the Tartus-Hims railway, the Syrian oil industry, and land reclamation. Today there are approximately 1,000 Soviet economic technicians working in Syria. Moscow has extended about \$2 billion in economic credits since 1957. (By way of comparison, Arab government disbursements to Damascus since 1979 have averaged \$1.3 billion annually, and Iran has provided an average of \$1 billion a year since 1982.) The Soviets did not extend any credits to Syria from 1977 through 1982, but the more than \$1 billion provided since then and the recent negotiations over building a nuclear power reactor and research center in Syria are leading to a significant expansion of Soviet economic involvement in the country.

The Syrian Quid Pro Quo. In return for this assistance, the Syrians have granted the Soviets some access to the Syrian ports of Tartus and Latakia and

Soviet Arms: How They Are Paid For

the military airfield at Tiyas. The Soviet Mediterranean Flotilla regularly receives support from Soviet logistic ships stationed in Tartus. The Soviets have used Tiyas airfield since 1972. They deployed IL-38 antisubmarine warfare and naval reconnaissance aircraft there in 1981 and have done so eight times since mid-1983 on what now appears to be a regular basis. TU-16 Badger reconnaissance aircraft also deployed to Tiyas in 1981 and six times since early 1985.

Outside the military sphere, the Soviets receive Syrian support in international forums on many issues, including Afghanistan and Moscow's perennial "peace" offensives. In addition to the hard currency the Soviets earn from arms sales to Syria, the Syrians also apparently give Soviet bids on economic projects in Syria preferential consideration because of the USSR's importance as a source of arms.

Limited Soviet Influence. Despite the wide scope of their presence in Syria, the Soviets have little sway over important decisions made by the Assad regime.

On the one occasion when the USSR is known to have attempted to use its military relationship to pressure the Syrians to change their policy—during Syria's military intervention in Lebanon in 1976-77—it failed.

Damascus, in retaliation for Moscow's cutback on arms deliveries, threatened in January 1977 to bar Soviet use of the port of Tartus. Assad's threat eventually led to a resumption of arms shipment.

A major factor behind the USSR's lack of influence over Syrian policymaking is the mutual distrust that has marked relations since Assad's seizure of power in 1970. The Soviets favored the man Assad ousted,

* The Soviets strongly opposed the Syrian intervention on the side of the Christians against the PLO and Lebanese leftist.

Factsheet on Soviet-Syrian Relations

Soviet Ambassador: Aleksandr Dzasokhov (assumed post in October 1986)

Syrian Ambassador: Muhammad Ali Halabi (assumed post in March 1983)

Estimated Number of Soviet Personnel in Syria (excluding dependents)

<i>Diplomatic ^a</i>	90
<i>Military advisers and technicians</i>	3,000
<i>Independent Soviet military units</i>	400
<i>Economic advisers and technicians</i>	1,000
Total	4,490

Estimated Number of Syrian Personnel Receiving Military Training in USSR

1980	50
1981	75
1982	100
1983	NA
1984	1,500
1985	NA

Soviet Trade With Syria (million US \$) ^b

	<i>Exports</i>	<i>Imports</i>	<i>Total</i>
1975	138	96	234
1980	258	236	494
1981	387	350	737
1982	291	415	706
1983	277	405	683
1984	306	271	577
1985	384	227	611

Soviet Economic Credits/Grants Extended (million US \$)

1975	7
1980	0
1981	56
1982	0
1983	273
1984	820
1985	0

Military Sales (million US \$)

Facilities Used by Soviet Military

<i>Latakia</i>	<i>Major port of call</i>
<i>Tartus</i>	<i>Naval support/repair facility</i>
<i>Tiyas Airfield</i>	<i>Used by Soviet IL-38 and TU-16 naval reconnaissance aircraft</i>
<i>Al Mazzah Airfield (Damascus)</i>	<i>Used by Soviet electronic countermeasures helicopter unit</i>

^a All officials—political, economic, military, intelligence—who work in the Embassy and Consulate (Aleppo), as well as media and trade representatives.

^b From official Soviet statistics, which do not include all military trade.

Salah Jedid, the leader of the radical left wing of the Syrian Ba'th Party, who, during his 1966-70 tenure, moved Syria closer to the Soviet Union.

[] stated [] that the Soviets were deeply suspicious of Assad when he first took power. They learned to live with him, but the suspicions remained.

Both sides have kept each other in the dark about major issues. Former Secretary of State Kissinger tells in his memoirs how Assad blocked the Soviets from any involvement in the 1974 Golan Heights disengagement agreement with Israel that the United States had mediated. In January 1977, []

Perhaps the most striking examples of failure to consult were the Syrian military actions in 1976 and 1980. Syrian troops began their move into Lebanon in June 1976 as a shocked Soviet Premier Kosygin arrived in Damascus. Four years later a similar embarrassment for the Soviets occurred when Syrian troops advanced toward the Jordanian border just as Deputy Chairman of the Supreme Soviet Kuznetsov was about to arrive in Damascus for ratification of the Soviet-Syrian treaty of friendship and cooperation.

[] Brezhnev personally contacted Assad to ask why the Soviets had not been consulted before Syria took this step.

This lack of consultation evidently continues. Soviet officials frequently complain [] that Damascus does not discuss its policy in Lebanon or contacts with the United States with them. Moscow, for its part, did not brief the Syrians fully on the US-Soviet talks on the Middle East in Geneva in February 1985.

With Friends Like These . . .

Henry Kissinger describes in his memoirs President Assad's actions denying the Soviets a role in the Golan Heights disengagement talks between Syria and Israel in 1974. Kissinger, using "shuttle diplomacy," brokered the talks. Gromyko traveled to Damascus for the express purpose of obtaining a voice in the negotiations. But Assad, according to Kissinger, did not want to give Moscow a voice, "as he made clear by telling me proudly and in great detail how he had prevented Gromyko from visiting Damascus while I was there." Kissinger sums up the incident:

I have no idea how we could have insisted on an exclusively American mediation had Asad chosen otherwise. Nothing so much demonstrated the weakness of the Soviet position than the fact that Asad did not. . . . The President of Syria, remarkably, preferred to negotiate without his principal ally.²

Soviet-Syrian ties have become closer since 1974, but the Soviets still worry that Assad, if he gets the right terms, will reach an agreement with the United States and Israel behind the USSR's back.

² Henry Kissinger, *Years of Upheaval* (Boston: Little, Brown and Company, 1982), pp. 956, 1074-5.

Despite the 1980 Soviet-Syrian friendship and cooperation treaty and all the emphasis Soviet media give to the development of socialism in Syria, the Soviets apparently do not see Syria as a secure base of Soviet influence or fertile ground for socialism. They have commented in the past that Syria is unlikely to develop a socialist system, given the lack of an organized working class and with the bourgeoisie firmly in power. They also have made it clear they have no illusions about the depth and durability of socialism in Syria. They regard Ba'thism as a charade and the Syrians as traders and capitalists whose political dependability is suspect. In recent

years, there also have been reports [] of Soviet leaders urging Assad to limit capitalist practices in Syria

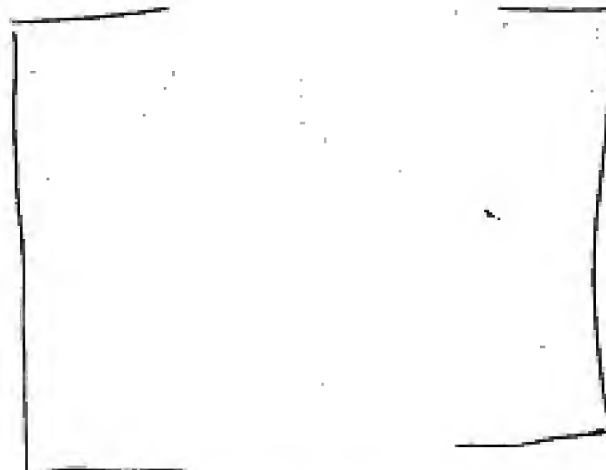
Policy Differences. On policy issues, Soviet-Syrian differences center on the extent of Soviet military support for Syrian strategic objectives and on specific policy toward the PLO and Iraq and—to a lesser extent—Egypt, Lebanon, and the Arab-Israeli peace process. The Soviets have claimed that a primary source of tension in the Soviet-Syrian relationship is the Assad regime's attempts to broaden the 1980 treaty to commit the USSR to come to Syria's defense militarily in the event of war. Soon after the announcement in 1981 of the US-Israeli "strategic cooperation" agreement, the Syrians began [] calling for a similar accord between Syria and the USSR. They have also sought Moscow's backing for their goal of "strategic parity" with Israel

The Soviets have been elusive, however. []

[] gave what Damascus considered a feeble response to a Syrian study of the Soviet position in the event of a US military move back into Lebanon.

[] and past Soviet behavior strongly suggest that Moscow is still determined not to tie its hands to a specific response in the event of another Syrian-Israeli war. Although the dispatch to Syria of Soviet SA-5 units in 1983 committed Moscow to a much greater degree than ever before, it evidently continued to refuse from putting that commitment in writing

Different perspectives on the PLO have led to some of the sharpest Soviet-Syrian differences over the past decade. Moscow has consistently opposed Syrian attempts to dominate the organization, from the Syrian intervention against PLO forces in Lebanon in 1976 to the Damascus-backed attacks on Palestinian camps



Syrian President Hafez Assad and Soviet General Secretary Mikhail Gorbachev during their June 1985 meeting in the Kremlin.

there beginning in the spring of 1985 []

[] The Soviets, however, have had little success in tempering Syrian moves against the PLO and have mixed feelings because they have many of the same grievances with Arafat."

Moscow, similarly, has had no success in convincing Assad to mend fences with Iraq and Egypt. As for Lebanon, the Soviets have suppressed their misgivings about Syrian policy there since the Israeli invasion in 1982, but they still oppose long-term Syrian domination of the country. They have made it clear that under no conditions would the USSR support the partition of Lebanon for the benefit of a "Greater Syria."

Differing Perspectives on the Peace Process. Soviet-Syrian difficulties over the Arab-Israeli peace process have usually not been over the final terms of a settlement but over how best to obtain those terms. Moscow has sought a comprehensive settlement at an

[] For a full description of the Soviet view of the PLO-Syrian dispute

international conference that it would chair jointly with Washington—the solution that would give the USSR the greatest voice. Damascus refused to attend the only international conference on the issue that has ever been held—at Geneva in December 1973—and would not support the US-Soviet call in October 1977 for reconvening the conference. The Syrians have publicly expressed support for the USSR's current effort to convene a conference, but Assad told

that an international conference would be meaningless until the Arabs unite and achieve military parity with Israel. The Deputy Chief of the Soviet Foreign Ministry's Near East and North Africa Administration admitted

that Syria was one of the few Arab countries that was not showing continuing interest in Moscow's proposed international conference.

In our view, the Soviets cannot risk endorsing any peace initiative that does not meet most of Syria's objectives, even if by doing so they could achieve their main objective—gaining a voice in the peace process. Alienating Damascus to gain entree into the peace process would be an empty victory. The Soviets would have a seat at the peace conference but no ally to represent. At the same time, Moscow has not shown the ability to convince Damascus to soften its position. Thus, the Soviets are left with little choice but to follow the Syrian lead, and the Syrians appear in no hurry to engage in negotiations.

More broadly, the Soviets' overwhelming dependence on Syria for influence in the region requires them, no matter how much they dislike it, to follow or at least acquiesce in Damascus' lead on most major issues in the Arab world. In our view, as long as Syria remains the centerpiece of Soviet strategy—which we believe it will for many years to come unless the Soviets can reestablish a close relationship with Egypt—Moscow will continue to adjust its policies toward other countries to mesh with its Syrian policy. This will not prevent improvement in the USSR's ties to Iraq, Jordan, Egypt, or Yasir Arafat, but it will limit such developments.¹¹

¹¹ See "Impact of Future Developments" section for discussion of Soviet policy toward Syria after Assad and of the impact a breakthrough in Moscow's relations with Egypt would have on Soviet-Syrian ties.

Footholds on the Periphery: Libya and South Yemen¹²

The USSR has devoted considerable resources to expanding its military presence in Libya and South Yemen and probably sees them as useful footholds for complicating US policy and, potentially, expanding Soviet influence in the region. Nonetheless, the fact that the USSR's only Arab clients beside Syria are Libya and South Yemen speaks volumes about the decline of Moscow's influence in the Middle East since the early 1970s. Both countries are geographically and politically on the fringes of the Arab world and the Arab-Israeli dispute.

Libya. Libya is one of Moscow's consolation prizes in the Middle East. When the grand prize—Egypt—began to slip away from the Soviets in the early 1970s, they attempted to compensate for the loss wherever they could. Qadhafi's Libya, despite its pan-Islamic goals and virulent anti-Communism, was a logical candidate for Soviet courting. Both states opposed Sadat's Egypt, "separate deals" with Israel, and the US presence in the Middle East. Qadhafi saw, and still sees, the USSR as a primary source of the modern weapons he believes he needs to achieve his ambitious goals. For Moscow, Qadhafi's desire to buy arms and Libya's vast oil wealth make the country a lucrative source of hard currency. In recent years, the Soviets have also begun to make greater use of Libyan ports and airfields, although Moscow's access hardly replaces what it lost in Egypt. Finally, the Kremlin often benefits—without having to bear the risk or cost—from Qadhafi's worldwide subversive activities against friends of the United States.

As with Syria, Iraq, and Algeria, the military component is the core of the Soviet-Libyan relationship. The USSR has sold more arms to Libya (deliveries estimated to be worth over \$11 billion through 1985—all since 1970) than to any other Third World country except Syria and Iraq. Tripoli paid strictly in hard currency until 1982, when it began meeting part of its bill in oil.¹ Since then Libya has provided Moscow an average of about 115,000 barrels of oil a day, which was worth about \$1.2 billion annually before this year's precipitate drop in the world price of oil. In addition, the Soviets maintain approximately 2,000 military advisers and technicians throughout Libya's armed forces. They have provided limited intelligence and logistic support to Libya for its forays into Chad and during the US-Libyan military confrontations in the Gulf of Sidra this year. Soviet pilots fly training flights with Libyans, and Soviet advisers help maintain and possibly operate Libyan naval ships. Substantial numbers of Libyans are sent to the USSR each year for military training.

Since mid-1981, Qadhafi has allowed the Soviets expanded use of Libyan air and naval facilities. Pairs of Soviet IL-38 naval reconnaissance aircraft []

[] conduct surveillance flights against US and other Western naval ships in the Mediterranean. Soviet naval combatants also use Libyan ports—Tobruk occasionally (for repairs and replenishment) and Tripoli (for ceremonial visits)—but the Mediterranean Flotilla makes far greater use of Syrian and other facilities.

Despite the Soviets' military investment in Libya, Qadhafi's mercurial personality has prompted them to keep a certain distance. President Brezhnev told Egyptian Foreign Minister Fahmy in 1974, according to the latter's memoirs: "That young man [Qadhafi] is crazy. . . . He is an unbalanced fanatic." By 1982,

[] Soviet Foreign Ministry officials in Moscow believed that Qadhafi had evolved and become more sympathetic toward the Soviet Union and, in some cases, behaved as an ally.

¹ The Soviets resell virtually all the oil they obtain from Libya.

[] however, that KGB officials still saw the Libyan leader as "crazy, unpredictable, uncontrollable" and capable of acting against Soviet interests. []

Some of the Libyan leader's activities confirm the KGB officials' belief that he is capable of undermining Soviet interests. Qadhafi:

- Publicly criticized the USSR for insufficient military aid to the Arabs during the October 1973 War and the Israeli invasion of Lebanon in 1982.
- Has given military, financial, and political aid to Palestinian rebels bent on ousting PLO leader Arafat, whom Moscow still supports.
- Transferred Soviet-supplied surface-to-surface missiles to Iran in 1985 []
- Signed a "union" with Morocco in 1984, over which Soviet officials expressed concern, fearing that it would increase Libyan-Algerian tensions.

Factsheet on Soviet-Libyan Relations

Soviet Ambassador: Pogos Akopov (assumed post in October 1986)

Libyan Ambassador: Muhammad Humud (assumed post in November 1986)

Estimated Number of Soviet Personnel in Libya (excluding dependents)

<i>Diplomatic</i> ^a	50
<i>Military advisers and technicians</i>	2,000
<i>Economic advisers and technicians</i>	5,000
Total	7,050

Libyan Military Personnel Receiving Training in USSR

1980	1,150
1981	1,150
1982	1,150
1983	900
1984	750
1985	600

Soviet Trade With Libya (million US \$)^b

	Exports	Imports	Total
1975	26	0	26
1980	252	443	695
1981	264	502	766
1982	305	1,554	1,859
1983	357	1,368	1,725
1984	172	1,394	1,566
1985	100	1,053	1,154

Soviet Economic Credits/Grants Extended (million US \$)

1980	0
1981	0
1982	0
1983	0
1984	0
1985	0

Military Sales (million US \$)

Facilities Used by Soviet Military

<i>Tobruk</i>	<i>Occasional use by Soviet submarines and submarine tenders for repairs and replenishment</i>
<i>Umm Aitqah Airfield (Tripoli)</i>	<i>Used by Soviet IL-38 ASW/naval reconnais- sance aircraft</i>

^a All officials—political, economic, military, intelligence—who work in the Embassy, as well as media and trade representatives.
^b From official Soviet statistics, which do not include all military trade.

- Sent home in 1985 ¹ but 40 to 50 of the approximately 400 Soviet technicians working at the Tajura nuclear research center.
- Offered to intervene militarily in South Yemen on behalf of former President Hasani during the coup in January 1986 and on at least one other occasion since ² Moscow vigorously protested (Nuri Keneh) and Ethiopian attempts to do the same, and we assume that the Soviets weighed in similarly with Qadhafi.

Some of Libya's other actions, such as the shooting of Libyan dissidents and a British policewoman in London in 1984, while possibly benefiting Moscow by disrupting friends of the United States, have placed the Soviets in awkward positions ³

⁴ condemned the London shootings and displayed unease over the widely publicized Egyptian charges in the summer of 1984 that Qadhafi had planted Soviet mines in the Red Sea. (The first ship struck by a mine, in fact, was a Soviet one.) ⁵

During 1984-85, Soviet-Libyan relations were particularly difficult ⁶ reported in the latter half of 1984 that Soviet-Libyan relations were cool ⁷ this to problems over Libya's payments for Soviet arms—specifically, Moscow's unwillingness to compromise on the issue. We estimate that Libya owes the USSR approximately \$2 billion for past weapons purchases.

Frictions between the two have not prevented the Soviets from increasing their support for Libya during the last year. The most visible sign of this was the delivery late last year of Soviet SA-5 missiles. The Soviets also displayed a slightly greater readiness than earlier to back Qadhafi during US-Libyan tensions in January and April of this year. They sent a few ships to the central Mediterranean—some to Libyan coastal waters—to monitor the movements of the US Sixth Fleet and presumably passed tracking data to the Libyans. This Soviet monitoring activity was more

extensive than during past crises involving Libya. And, following the US airstrikes on Libya in April, the Kremlin postponed a meeting between Foreign Minister Shevardnadze and Secretary of State Shultz.

Nonetheless, the Soviets' continued determination to keep some distance from Qadhafi was clearly evident during the US-Libyan clashes. Moscow was careful in its public comments not to commit itself to take any action in support of Libya. Qadhafi requested Soviet military support to oppose the US attacks, but Gorbachev refused ⁸

⁹ that Qadhafi was incensed over Moscow's stand and over its determination—despite the US attacks—that Libya clear up its past military debt before concluding a new arms deal.

The Soviets have subsequently signaled Washington that they want to stand clear of any future US-Libyan clash ¹⁰ a Soviet diplomat ¹¹ stated in September 1985 that Moscow's warning for Qadhafi is moral only and that the USSR has no desire to get involved in the US-Libyan conflict. Other Soviet officials repeated these remarks during September.

Disputes over arms payments and concern over Qadhafi's unpredictability are likely to remain complicating factors in Soviet-Libyan relations as long as Qadhafi remains in power. Moscow also will almost certainly continue to avoid giving Qadhafi the security commitments he apparently wants. Besides their desire not to be drawn into a military clash with the United States, the Soviets probably fear that giving Tripoli such a commitment would harm their relations

¹² See "Impact of Future Developments" section for discussion of Soviet options should Qadhafi die or be ousted.

with Algeria and Egypt. The USSR's unwillingness to commit itself to Libya's defense appears to be the primary reason that the friendship and cooperation treaty the two sides announced in principle in March 1983 has yet to be concluded. The Soviets, in our view, have been—and remain—ready to sign an accord similar to their other friendship and cooperation treaties with Third World countries that do not carry security commitments. If Qadhafi agrees to this, a treaty could be signed at any time.

Despite the frictions and the Kremlin's desire to maintain some distance from Qadhafi, the benefits each side derives from the relationship probably will prompt them to continue, and perhaps even expand, their cooperation in the next few years. Qadhafi's heightened sense of vulnerability after the US raid in April probably will lead him to seek greater Soviet military backing. Although to date he has restricted Soviet access to Libyan air and naval facilities, he probably now would welcome an increase in that access because of the impression it would create of a greater Soviet willingness to defend Libya. We believe Moscow desires increased military access but would move cautiously to avoid giving such an impression. The Soviets probably would seek permanent access for their IL-38s, greater use of port facilities at Tobruk, and—possibly—permission to station logistic ships in Tobruk harbor as they do now in Tartus, Syria.

The Libyans periodically threaten in public—most recently in April—to grant the Soviets independent military bases in Libya. In fact [

] that Al Jufra airfield, which the Soviets have been constructing, will be an exclusively Soviet base. We believe, however, that Moscow probably would not expend the resources on building independent Soviet naval or air bases in Libya as long as Qadhafi is in power. Apart from the high risk of being drawn into a US-Libyan conflict and the negative impact such a move would have on the USSR's relations with Algeria, Egypt, and Tunisia, the Soviets would be likely to calculate that the unpredictable Qadhafi could repossess the bases and send Soviet forces home once the US threat subsided, or that he would seek to hold Soviet policy hostage to base privileges. Moreover, from a purely operational standpoint, the risks of Soviet military bases in Libya might not be worth the benefits. For example, although Soviet strike aircraft,

if based at Al Jufra, could pose a threat to US naval operations in the Mediterranean, they would be vulnerable to NATO tactical aircraft and difficult to maintain and supply during a conflict.

South Yemen.¹³ Syria is the Soviets' most important client in the Arab world, but South Yemen is the closest. Whereas in Syria the Soviets have a presence throughout the military but almost nowhere else, in South Yemen they—along with their East European and Cuban allies—permeate the entire government, party, and military structure. The Soviets' interests in the PDRY—a dismally poor country of little more than two million people—stem from its Marxist orientation and its strategic location. The Soviets value the PDRY because it is all they have to show for almost 70 years of trying to foster the growth of Marxist regimes in the Arab world.¹⁴ They promote South Yemen as a model for other Middle Eastern states to follow and work with it to aid leftist movements in the region. Aden is a haven for Middle Eastern Communists, leftist Palestinians, and the remnants of Marxist insurgents who once fought in neighboring Oman and North Yemen.

South Yemen's location at the confluence of the Red Sea and the Indian Ocean gives it military significance for the Soviet Union. Naval ships of the Soviet Indian Ocean Squadron make regular use of the port facilities at Aden,¹⁵ and Moscow keeps two IL-38

" Official [

¹³ The USSR, however, played no role in the establishment of South Yemen in 1967 and only a supporting role in the country's swing to the left in the first few years after independence.

¹⁴ With the loss of the use of port facilities in ~~Hobart~~, Somalia, in 1977, Aden grew in importance for the Soviets. Since 1980, Soviet Indian Ocean ships have made an average of about 75 visits annually to Aden. The port, however, is heavily congested with commercial traffic, and Soviet combatants usually use the anchorage off South Yemen's Socatra Island or the port facilities the Soviets have on Ethiopia's ~~Dahak~~ Dahlak Island. [

Figure 5
South Yemeni Facilities Used by the Soviet Military

naval reconnaissance aircraft at Al Anad airfield, north of Aden, on a continuous basis

enhances the ability to monitor US and other Western naval movements in the region (see figure 5).

The Soviets initially welcomed South Yemen's sharp turn leftward during 'Abd al-Fattah Isma'il's 1978-80 rule. They apparently realized, however, that his radicalism was disrupting the country—much as Hafizullah Amin's did in Afghanistan in 1979—and, after intensive consultations with PDRY leaders, they acquiesced in his replacement by Ali Nasir Muhammad al-Hasani in April 1980. From Moscow's vantage point, Hasani, though not as ideologically "pure" as Isma'il, probably was viewed as loyal and more adept at holding the ruling Yemeni Socialist

Party's (YSP) fractious elements together. The Soviets may have intended Isma'il's return in 1985 as a useful "insurance policy" to keep Hasani honest, but we believe they did not favor his reassumption of the top party post. As the

noted Isma'il was popular with the Soviets, but they recognized that he did not make a good leader, and they accepted Hasani as the more effective alternative.

The radical Marxist coup in January that toppled President Hasani ushered in a new and unpredictable era in Soviet-PRDY relations. The weakening of the YSP, the death of many top pro-Soviet figures, and the tribal rivalries the coup inflamed have led to a more unstable South Yemen

Factsheet on Soviet-South Yemeni Relations

Soviet Ambassador: Al'bert Rachkov (assumed post in July 1986)

PDRY Ambassador: Ahmad Abdallah abd al-flah (assumed post in November 1985)

Estimated Number of Soviet Personnel in PDRY (excluding dependents)

<i>Diplomatic ^a</i>	30
<i>Military advisers and technicians</i>	1,000
<i>Independent Soviet military units</i>	300
<i>Economic advisers and technicians</i>	550
<i>Total</i>	1,880

Estimated Number of PDRY Personnel Receiving Military Training in USSR

1980	NA
1981	NA
1982	NA
1983	2,000
1984	2,000
1985	NA

Soviet Trade With PDRY (million US \$) ^b

	<i>Exports</i>	<i>Imports</i>	<i>Total</i>
1980	86	8	94
1981	129	8	137
1982	93	8	101
1983	184	7	191
1984	136	7	143
1985	172	10	182

Soviet Economic Credits/Grants Extended (million US \$)

1980	209
1981	0
1982	0
1983	0
1984	0
1985	0

Military Sales (million US \$)

Facilities Used by Soviet Military

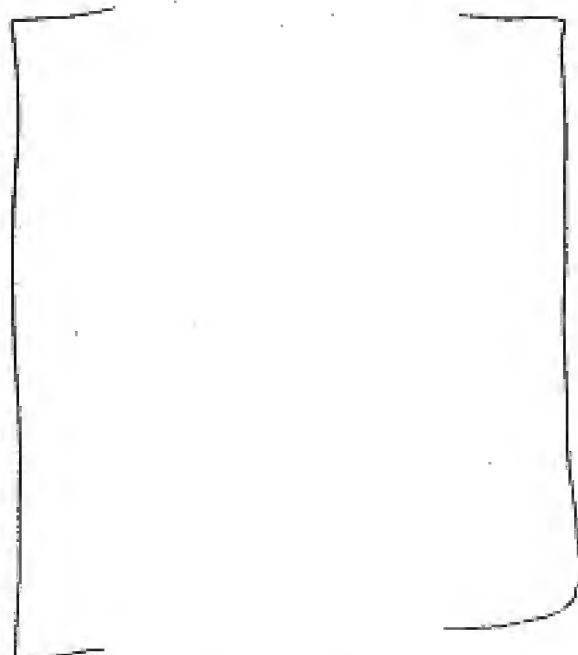
Aden *Naval support/repair facility*
C I C

Socatra Island

Al Anad Airfield *Two IL-38 naval reconnaissance/ASW aircraft stationed there* D

^a All officials—political, economic, military, intelligence—who work in the Embassy and Consulate (Al Mukallah), as well as media and trade representatives.

^b From official Soviet statistics, which do not include all military trade.



We believe that Moscow had no compelling reason to seek Hasani's ouster, did not support the coup, and was surprised by it. By 1984 it had become clear that the Soviets and Hasani had resolved their differences over his opening toward the West and with moderate Arab states, as well as over the PDRY's displeasure with the low level of Soviet economic aid that plagued their relations in 1982-83. Hasani was the only Arab leader granted a meeting with Gorbachev at Chernomir's funeral in March 1985. Soviet leaders did not meet with him at the funerals of Brezhnev and Andropov in 1982 and 1984, respectively.

The Soviets appeared quite happy with Hasani's policies. In fact, his more moderate foreign policy played a decisive role in convincing Oman and the UAE to establish diplomatic relations with the USSR in 1985.

South Yemeni expressions of fealty to the USSR became more and more effusive during Hasani's last year in power. The communique from the YSP Central Committee plenum in February 1985 lauded the "increasing development of the strategic alliance relations" between the PDRY and the Soviet Union. The

noted the increasingly pro-Soviet tone in the Hasani regime's public statements during 1984-85. Hasani may have adopted this almost obsequious pro-Soviet posture to head off the threat to his leadership that began to arise within the YSP in mid-1984.

Hasani weathered the threat in 1984, apparently with Soviet support, but—perhaps as part of a compromise to end the party factionalism—Moscow convinced him to accept the return to Aden and appointment to the party secretariat of Isma'il.

A senior Soviet party official advised Isma'il and Hasani, during the latter's visit to Moscow in October 1984, to resolve their differences.

Isma'il returned in March 1985, shortly after he was reinstated to the party secretariat, and Hasani relinquished his post as head of government.

The Kremlin presumably endorsed Isma'il's reinstatement to the Politburo at the YSP party congress in October 1985, but they also almost certainly backed Hasani's reelection as general secretary. Soviet leaders sent him a message on the eve of the congress, which, in effect, amounted to an endorsement of his continuation as party chief.

Moscow's behavior during the coup attested to its lack of complicity. Soviet media carried Hasani's erroneous announcement on the first day of the coup, 13 January, that the "counterrevolutionaries" had been crushed and their ringleaders executed. Four days into the crisis, Soviet media were still calling the rebel leaders "putschists." Shortly thereafter, as the Soviets evacuated their nationals from Aden and the fighting shifted in the rebels' favor, the USSR adopted a neutral public stance and attempted to mediate between the two sides. It was only 10 to 14 days into the

Soviet trawler off the coast of Aden during the January 1986 fighting.

coup, when the rebels clearly had gained the upper hand, that Moscow threw its support to the new regime, and even then it did so discreetly [

the Soviets kept a low profile to make it easier for them to deny any involvement in the fighting on the rebels' side. Moscow's more vital support consisted of pressure on North Yemen and Ethiopia not to aid Hasani's forces.

The new regime, nominally headed by President 'Attas,¹⁴ not only is beset with internal factionalism, but forces loyal to Hasani continue to harass the government from their safehaven in North Yemen, and the tribal animosities that the fighting exacerbated continue to smolder. Soviet officials have acknowledged that tribalism is one of the major problems the regime faces. Leonid Zamyatin, then chief of the CPSU Central Committee's International Information Department, told a Lebanese newspaper in February that South Yemen is still encountering difficulties from the "tribal division of society." An

¹⁴ 'Attas, a longtime Hasani supporter and without an independent power base, apparently is only a figurehead. Although he replaced Hasani as president, he did not assume Hasani's more important post of YSP secretary general. The real powers in the new regime appear to be YSP Secretary General Ali Salim al-Bidh and Deputy Secretary General Salim Salih Muhammad.

important *Pravda* article in September echoed this view. It also blamed Hasani for precipitating the January events—the first time the Soviets stated this in public.

Isma'il and other prominent rebel leaders were killed in the fighting, but most of the key figures in the new regime—including Bidh and Salim Salih—have a reputation of being radical Marxists and fervently pro-Soviet. Moscow, however, appears to be advising the new leaders to portray themselves as moderates.¹⁵ The regime has repeatedly stated in public that it desires good relations with all its neighbors [

In February, argued that there are numerous moderates in the new cabinet.

Despite the new regime's fervently pro-Soviet tenor, there is the potential for Soviet-South Yemeni tensions over the level of Soviet economic aid and efforts by Moscow to expand its military access in the PDRY. The South Yemenis have long been dissatisfied with the level and quality of economic aid the USSR has provided. Many Soviet projects have taken years to complete and have compared unfavorably with the few Western projects that South Yemen has contracted for in recent years. Aden was particularly rankled by the paltry Soviet relief package following the major floods in 1982. Moscow is unlikely to provide significantly increased economic aid in the years ahead because of its own economic constraints and its probable belief that Aden is securely within the Soviet orbit and therefore not likely to alter its political allegiance, even if it were to obtain substantial Arab or Western assistance.¹⁶

The Soviets may increase efforts to obtain expanded access to South Yemeni air and naval facilities and possibly even an independent Soviet military base.

¹⁵ In fact, the choice of the "moderate" 'Attas to replace Hasani as president probably was a result of Soviet advice. 'Attas, in India when the coup began, flew to Moscow and remained there until the rebels announced their choice of him as provisional president.

with the YSP at war with itself, there is no credible organized threat outside the party to vie for control of the country. The most serious potential threat could come from Hasani's forces in North Yemen.

Such a development could lead Moscow to become even more directly involved in South Yemen's defense.

Partners of Convenience: North Yemen, Iraq, Algeria, and the PLO

North Yemen. The Soviets' ability to maintain relatively good relations with a variety of regimes in Sanaa for almost 60 years is one of their success stories in the Middle East. Moscow has been involved in North Yemen longer than in any other Arab country.² The treaty of friendship and trade the

Soviets signed with the feudal, theocratic regime of Imam Yahya in 1928 was their first with an Arab government. When the Imamate fell in 1962, the USSR moved quickly to support the new Yemen Arab Republic (YAR), going so far as to provide pilots to fly combat missions in 1962-63 and to provide both pilots and an airlift of military supplies in 1967—the first such Soviet military interventions in crises in the Arab world.

The Soviets adroitly managed to maintain and even increase their influence in North Yemen under President Salih, who took power in 1978, despite their close ties to Marxist South Yemen and indirect support for the Marxist insurgency in the North during the early 1980s. The YAR's need for a reliable source of arms and training to fend off its two neighbors, South Yemen and Saudi Arabia, induced Sanaa to seek Soviet support.

Soviet interest in North Yemen stems more from its neighbors than from its intrinsic value. The YAR, with approximately 6.3 million people, represents a

² The Soviets established relations with Saudi Arabia in 1926, two years before their treaty with Yemen, but withdrew their envoy in Jidda in the mid-1930s and relations have been dormant ever since.

Soviet ships in Aden harbor.

The most recent efforts occurred in 1983.

Admiral Gorshkov, then Commander in Chief of the Soviet Navy, traveled to Aden in March 1983 to seek permission to build new naval and air facilities in South Yemen that would be controlled by the Soviets.

The current leaders probably would not object to expanded Soviet access to *South Yemeni* facilities but are unlikely to grant Moscow a sovereign base. This is a particularly sensitive issue with the South Yemenis, whose entire country was a sovereign British base for 129 years.

Neither issue—economic aid or military access—is likely to develop into a major problem between the two countries. The South Yemeni leaders would prefer more generous economic aid but almost certainly view it as secondary to the military assistance Moscow provides. The Soviets, for their part, are not in dire need of expanded military facilities. They can adequately maintain their current air and naval forces in the region with the facilities now at their disposal. The pressure for increased access would intensify if they decided to expand those forces.

Thus, despite the traumatic effect of the coup on the South Yemeni ruling structure, Moscow maintains a strong foothold in Aden and is likely to continue to do so for at least the rest of the decade. The current regime is even more pro-Soviet than Hasani's. Tribalism and YSP factionalism are likely to remain destabilizing factors, but—as the coup has shown—even

potential threat to Moscow's ally, South Yemen, which has about one-third the population. Soviet influence in North Yemen represents some insurance against this threat []

[] Moscow's presence in the YAR, although far less extensive than in the PDRY, is substantial. Soviet and East European arms compose approximately three-fourths of the inventory of the YAR's armed forces. About 500 Soviet military advisers and technicians are assigned to North Yemen, and about 250 Yemenis are presently receiving military training in the Soviet Union. In addition, there are approximately 175 Soviet economic advisers and technicians in the YAR and an embassy staff of about 150—after Egypt, the second largest Soviet mission in the Middle East. The Soviets may see Sanaa as the best place available to them to collect intelligence on Saudi Arabia, where they have no representation—thus, the large presence in a small country

We are not certain how much influence this large presence gives the Soviets [] some YAR officials, most notably ~~army~~ ~~forces~~ Chief of Staff Bashiri, as pro-Soviet, but the list is not long, and Salih himself does not appear to be unduly swayed by Moscow. Nonetheless, the Salih regime publicly supports many Soviet international initiatives

and almost never speaks negatively about the Soviets in its media—treatment it does not accord the United States

Moscow scored a propaganda success by convincing Sanaa in October 1984 to upgrade its longstanding treaty to one of "friendship and cooperation." The accord is the most vague and least binding of all such treaties the Soviets have signed to date.⁹ It differs from the 1964 treaty (the previous most recent update of the original document signed in 1928) in several ways; it has:

- A pledge to consult on international problems that affect both countries' interests.
- A pledge not to take part in actions directed against each other.
- Some anticolonialist rhetoric.
- A duration of 20, rather than five, years.

These points are common to all Soviet friendship and cooperation treaties with Third World countries. Unlike most of the other treaties, however, the one with North Yemen does not have a clause calling for closer military cooperation. Moreover, the treaty's call for consultations on international problems does not

⁹ The friendship and cooperation treaty with the YAR is the 13th Moscow has signed; two—~~agreements~~ with Egypt and Somalia—were later abrogated by those countries.

Factsheet on Soviet-North Yemeni Relations

Soviet Ambassador: Anatoliy Filev (assumed post in September 1984)

YAR Ambassador: Abd al-Uthman Muhammad (assumed post in February 1983)

**Estimated Number of Soviet Personnel
in YAR (excluding dependents)**

<i>Diplomatic^a</i>	<i>150</i>
<i>Military advisers and technicians</i>	<i>500</i>
<i>Economic advisers and technicians</i>	<i>175</i>
Total	825

**Estimated Number of YAR Personnel
Receiving Military Training in USSR**

<i>1975</i>	<i>100</i>
<i>1980</i>	<i>1,200</i>
<i>1981</i>	<i>500</i>
<i>1982</i>	<i>600</i>
<i>1983</i>	<i>400</i>
<i>1984</i>	<i>250</i>
<i>1985</i>	<i>250</i>

Soviet Trade With YAR (million US \$)^b

	<i>Exports</i>	<i>Imports</i>	<i>Total</i>
<i>1981</i>	<i>32</i>	<i>NEGL</i>	<i>32</i>
<i>1982</i>	<i>47</i>	<i>1</i>	<i>48</i>
<i>1983</i>	<i>57</i>	<i>NEGL</i>	<i>57</i>
<i>1984</i>	<i>14</i>	<i>NEGL</i>	<i>14</i>
<i>1985</i>	<i>18</i>	<i>NEGL</i>	<i>18</i>

**Soviet Economic Credits/Grants Extended
(million US \$)**

<i>1981</i>	<i>55</i>
<i>1982</i>	<i>0</i>
<i>1983</i>	<i>0</i>
<i>1984</i>	<i>0</i>
<i>1985</i>	<i>0</i>

Military Sales (million US \$)

Facilities Used by Soviet Military

None

^a All officials—political, economic, military, intelligence—who work in the Embassy, as well as media and trade representatives.

^b From official Soviet statistics, which do not include all military trade.

stipulate that the two sides should attempt to coordinate their policies during crises, as does every other Soviet treaty but one.

Substantively, the treaty adds more formality to the relationship and should, the Soviets hope, help to ensure its stability. The Kremlin's aim in such treaties apparently is to base the relationship on legal institutions, rather than on personalities, to ensure that Soviet-YAR ties will survive Salih's departure. There is nothing in the treaty, however, that guarantees that this will be the case or—as Egypt's and Somalia's abrogation of similar treaties showed—that the current North Yemeni leadership will not have a change of heart.

A number of issues limit bilateral ties. Perhaps the most important is an economic one. North Yemen is a desperately poor country and is currently unable to meet the payments on its estimated \$900 million debt to the USSR. The servicing of this debt is a perennial topic at meetings between high-level Soviet and North Yemeni officials. The Soviets have apparently, for lack of alternatives, rescheduled at least part of the debt but are not willing to write it off as a loss. Sanaa's inability to pay also impinges on future purchases of Soviet military equipment. Moscow is unlikely to let the debt grow much beyond what it is today; the YAR is not as important to Soviet interests as Syria.

The discovery of oil in North Yemen by a US company in 1984 may eventually alleviate Sanaa's financial problems and ease frictions with Moscow over the debt. On the other hand, the newfound wealth might enable North Yemen to purchase more Western arms, and the involvement of a US oil company could lead to closer ties between Sanaa and Washington.

If weapons were available and affordable in the West, North Yemen probably would opt for them to reduce its dependence on Moscow. High-level YAR military commanders—especially in the Air Force—have been critical of the Soviet training program in North Yemen. [] The main complaints were not enough flying time and a high accident rate.

*Soviet Friendship and Cooperation Treaties
With Third World Countries*

<i>Egypt</i> ^a	27 May 1971
<i>Iraq</i>	9 April 1972
<i>India</i>	9 August 1972
<i>Somalia</i> ^b	11 July 1974
<i>Angola</i>	8 October 1976
<i>Mozambique</i>	31 March 1977
<i>Vietnam</i>	3 November 1978
<i>Ethiopia</i>	20 November 1978
<i>Afghanistan</i>	5 December 1978
<i>South Yemen</i>	25 October 1979
<i>Syria</i>	8 October 1980
<i>Congo</i>	13 May 1981
<i>North Yemen</i>	9 October 1984

^a Egypt abrogated the treaty on 15 March 1976.

^b Somalia abrogated the treaty on 13 November 1977.

Moscow reportedly was concerned enough about Sanaa's anger over the Soviet reaction to the coup in Aden to offer increased military aid on favorable terms. []

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Although genuinely worried about Sanaa's intentions, Soviet leaders probably calculate that Salih is too heavily dependent on the USSR for arms to downgrade the relationship significantly. We believe that, if the Soviets concluded that Salih were seriously moving in that direction, they would become even more cooperative about supplying arms and more lenient about the terms of payment.

North Yemen's stance toward the regime in the PDRY will be a determining factor in Soviet-YAR relations over the next few years. If Salih provides significant military assistance to Hasani's forces, Moscow is certain to increase pressure on Sanaa to desist. Such pressure could include more visits by high-level Soviets, threats to cut off the supply of Soviet arms, or even a revival of the Marxist National Democratic Front guerrillas. Relations are likely to remain somewhat tense even if Salih eventually accepts the change of power in Aden. He already suspects that the radicals in the regime will attempt to destabilize North Yemen. At this point, we do not believe the Soviets will encourage such attempts short of major North Yemeni aid to Hasani's forces, but they probably calculate that the threat of potential PDRY destabilization efforts in the YAR will be a useful lever in their dealings with Sanaa.

Iraq. Iraq is important to the Soviets because it is:

- A major actor in the Arab world and a perennial rival with Syria and Egypt for preeminence among the Arabs.
- A rival of Iran as the most influential power in the Persian Gulf region.
- One of the world's major oil producers and, thus, a lucrative source of hard currency for Moscow.
- Virulently anti-Israeli and, until recently, almost as adamantly anti-United States.

The Soviets' relationship with Iraq has been their most erratic in the Middle East. Relations were so hostile under the Iraqi monarchy that Baghdad severed relations with Moscow in 1955 in response to Soviet protests about the formation of the Baghdad Pact. General Qasim's ouster of the monarchy in 1958 brought an immediate reestablishment and improvement of relations, but ties fluctuated with the various regimes that ruled in Baghdad through the mid-1960.

The Ba'th Party's reemergence as the ruling group in Iraq in 1968—it remains in power today—led to another upsurge in Soviet-Iraqi relations. The new leaders of the Ba'th—in the aftermath of the massive Arab defeat at the hands of Israel in the June 1967 war—saw the Soviet Union as vital to the achievement of Arab aims. The Ba'th followed a radical

anti-Israeli, anti-US foreign policy and professed allegiance to a socialist internal order. Despite some differences, the USSR and Iraq drew closer over the next decade.

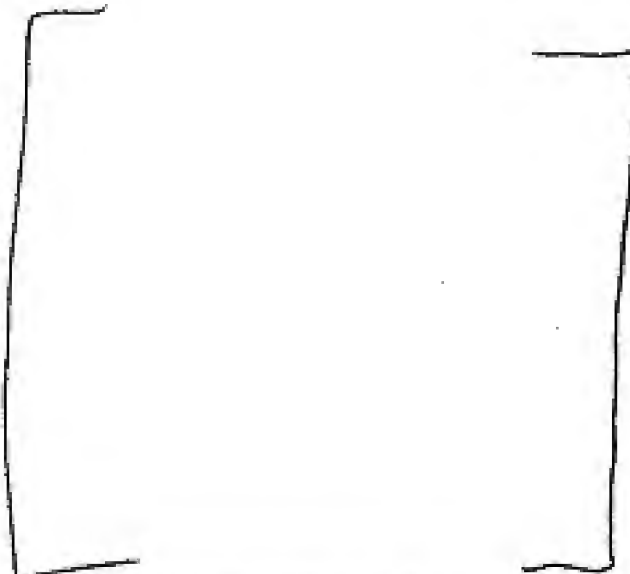
Relations began to sour again, however, by the late 1970s, as Baghdad—fearful of growing Soviet involvement in Ethiopia, South Yemen, and Afghanistan—cracked down on the Iraqi Communist Party (CPI) and sought to reduce Iraqi dependence on Soviet arms by purchasing Western weapons. The relationship plummeted to its lowest point since 1958 when Moscow cut off arms shipments to Iraq at the outbreak of the war with Iran in September 1980. After attempting to capitalize on this embargo with the Khomeini regime in Iran and failing, the Soviets lifted it in the spring of 1981 and began to tilt decisively toward Baghdad in the spring of 1982, when the two sides signed their first new arms deal since the war began.²

Soviet-Iraqi ties today are the best they have been since the heyday of the relationship in the early 1970s. This is almost entirely due to the Kremlin's decision to open up the arms tap to Iraq. The Soviets have delivered military equipment worth more than \$7 billion to Iraq since ending the embargo in early 1981, making them Baghdad's largest supplier (see figure 6).³ To maintain this equipment and train the Iraqis, Moscow has approximately 1,000 military advisers and technicians in Iraq.

The Soviets have coupled the arms flow with a more supportive public posture for Iraq in its war with Iran since Iraqi forces were driven out of most Iranian territory in June 1982. Most Soviet public statements take a neutral stance on the war, but Soviet media are

² For a full discussion of the Kremlin's policy toward the war and its shift to a pro-Iraqi position, see DI Intelligence Assessment SOV 83-10145C. *Moscow's Tilt Toward Baghdad: the USSR and the War Between Iran and Iraq* 2 SEPTEMBER 1983

³ The Soviets have supplied Iraq with about one-third of its weaponry (in terms of dollar value) since the war began. France is second with over \$5 billion worth of deliveries.



increasingly leaning toward the Iraqi position, particularly since the Iranian capture of Al Faw in February. They are praising Baghdad's willingness to end the conflict through mediation and criticizing Tehran's unwillingness to do the same.

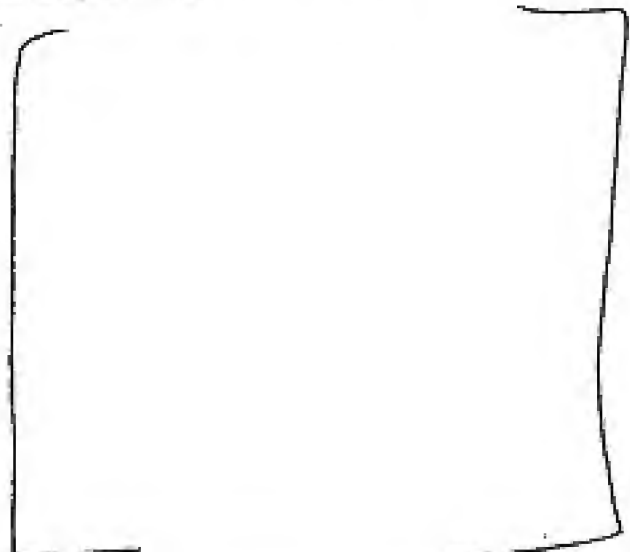
Moscow's military support and backing for Iraq's position on the war has led to an improvement, both politically and economically, in the relationship. President Saddam Husayn acknowledged in an interview in October 1984 that "circumstances" at the beginning of the war with Iran had "cast their shadow" on Soviet-Iraqi relations but that ties were now "good." His visit to Moscow in December 1985, his first since 1978, highlighted the improvement in relations, even though it revealed continuing differences.

The two countries have expanded their economic dealings. In April 1984, the Soviets extended Iraq a \$2 billion line of credit on favorable terms for civilian projects, according to a public statement by Foreign Minister Tariq 'Aziz. Baghdad has awarded Moscow major contracts since late 1983 to develop Iraq's West Qurnah oilfield, build a pipeline between Baghdad and Iraq's Southern Rumaylah natural gas field, construct two thermoelectric power plants, and survey sites to build a nuclear power plant. In addition, the USSR has since mid-1983 accepted oil as a partial means of payment for the arms it ships to Iraq.²

² This oil is provided in two ways: Iraqi crude is pumped through the pipeline across Turkey and picked up at the Ceyhan terminus on the Mediterranean, and Saudi crude is picked up in the Persian Gulf and credited to the Iraqi account with the Soviets. Moscow resells all of this.

Figure 6
Estimated Values of Soviet and
Warsaw Pact Military Deliveries
to Iraq, 1981-85

Million US \$



During 1984 and 1985, the Soviets received an average of 80,000 barrels per day (b/d) of Iraqi oil and 40,000 b/d of Saudi crude, which was part of Saudi Arabia's aid to Iraq.² The Kremlin's willingness to forgo the usual cash-on-delivery terms of Soviet-Iraqi weapons trade is another indicator of the importance it has assigned to improving relations with Baghdad and preserving the Soviet share of the Iraqi market.

Even with the increased Soviet involvement in the Iraqi economy over the past three years, however, Baghdad is still heavily dependent on Western and Arab trade and aid. Three-quarters of Iraqi civilian imports continue to come from the West, while aid provided by the Arab Gulf states dwarfs that of the

² See table on page 7.

Factsheet on Soviet-Iraqi Relations

Soviet Ambassador: Viktor Minin (assumed post in March 1982)

Iraqi Ambassador: Sa'ad Abd al-Majid Faysal (assumed post in March 1984)

**Estimated Number of Soviet Personnel
in Iraq (excluding dependents)**

<i>Diplomatic ^a</i>	50
<i>Military advisers and technicians</i>	1,000
<i>Economic advisers and technicians</i>	5,500
<i>Total</i>	6,550

**Estimated Number of Iraqi Personnel
Receiving Military Training in USSR**

1980	NA
1981	0
1982	100
1983	100
1984	200
1985	200

Soviet Trade With Iraq (million US \$)^b

	<i>Exports</i>	<i>Imports</i>	<i>Total</i>
1975	381	452	833
1980	729	398	1,127
1981	1,259	5	1,264
1982	1,347	25	1,373
1983	501	516	1,017
1984	336	823	1,159
1985	322	668	990

**Soviet Economic Credits/Grants Extended
(million US \$)**

1975	0
1980	0
1981	0
1982	0
1983	1,000
1984	45
1985	NA

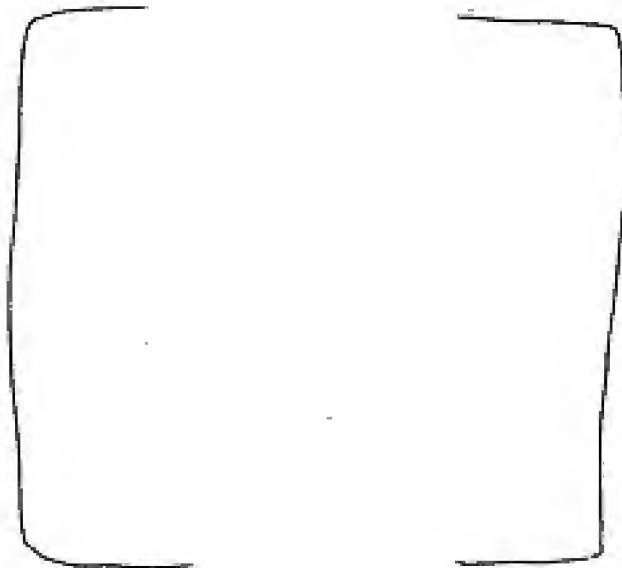
Military Sales (million US \$)

Facilities Used by Soviet Military

None

^a All officials—political, economic, military, intelligence—who work in the Embassy, as well as media and trade representatives.

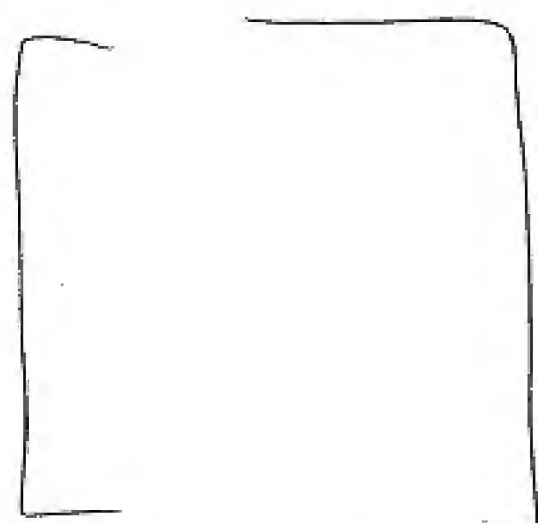
^b From official Soviet statistics, which do not reflect all military trade.



Soviets. In 1983, for instance, the Arabs extended approximately \$12 billion in economic aid to Iraq; the Soviets provided \$45 million.

Despite Moscow's extensive involvement in Iraq, its record arms shipments, and the clear improvement in relations since the spring of 1982, fundamental differences continue to separate the two sides. The minimal time Gorbachev spent with Saddam during the latter's visit to Moscow in December 1985, TASS's description of their meeting as "frank," and the failure of the two sides to agree on a joint communique were a reflection of these differences and the legacy of intense enmity between the two sides.

On international issues, the Soviets and Iraqis have long differed on the Arab-Israeli peace process. Baghdad rejected the 1967 UN Security Council Resolution 242, which the Soviets helped formulate. Foreign Minister Aziz told former US Middle Eastern envoy Joseph Sisco in January 1985 that Moscow pressed Baghdad hard to accept 242 in the early 1970s. The Iraqis not only refused but also condemned the ceasefire following the war in 1973 and the subsequent peace conference in Geneva. Iraq also refused to support the joint US-Soviet call in October 1977 for reconvening the Geneva talks and is one of the few Arab states not to endorse the USSR's more recent efforts to hold an international conference on the Arab-Israeli issue.



Moscow and Baghdad do not see eye to eye on a number of other international issues, including:

- The flow of Soviet-made arms to Iran through third parties such as Libya, Syria, and the USSR's East European allies.
- The Soviet invasion and continuing occupation of Afghanistan. Baghdad strongly condemned the invasion, but since 1983—presumably as a response to Moscow's willingness to provide Iraq with large amounts of weaponry—it has abstained from the yearly vote in the UN General Assembly call for Soviet withdrawal (see table 2).

The Soviets and Iraqis share a fundamental distrust of each other that will not easily be eroded. The Soviets have seen Saddam repress the Iraqi Communist Party (CPI) and have been unable to ease the repression significantly despite repeated attempts. Although the Kremlin has urged the Iraqi Communists to cooperate with the government as a means of increasing their influence in the country, Moscow's eventual goal almost certainly is to oust the ~~Bagh~~



Table 2
Middle Eastern Votes on Annual UN Resolution Demanding the
Withdrawal of "Foreign Troops" From Afghanistan

	January 1980	November 1980	1981	1982	1983	1984	1985	1986
Afghanistan	N	N	N	N	N	N	N	N
Algeria	A	A	A	A	A	A	A	A
Bahrain	Y	Y	Y	Y	Y	Y	Y	Y
Egypt	Y	Y	Y	Y	Y	Y	Y	Y
Iran	Y	Y	Y	Y	Y	Y	Y	Y
Iraq *	Y	O	Y	Y	A	A	A	A
Israel	Y	Y	Y	Y	Y	Y	Y	Y
Jordan	Y	Y	Y	Y	Y	Y	Y	Y
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y
Lebanon	Y	Y	Y	Y	Y	Y	Y	Y
Libya	O	O	N	N	N	N	N	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y
Morocco	Y	Y	Y	Y	Y	Y	Y	Y
Oman	Y	Y	Y	Y	Y	Y	Y	Y
Qatar	Y	Y	Y	Y	Y	Y	Y	Y
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y
Sudan	O	Y	Y	Y	Y	Y	Y	Y
Syria *	A	N	N	N	N	N	N	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y
Turkey	Y	Y	Y	Y	Y	Y	Y	Y
UAE	Y	Y	Y	Y	Y	Y	Y	Y
YAR	A	O	O	A	A	O	O	O
PDRY	N	N	N	N	N	N	N	N

Y = Yes

N = No

A = Absainted

O = Absent

* Voting pattern has changed.

[The Soviets realize that the CPI is weak and have welcomed the improvement in Soviet relations with Saddam; thus, they are unlikely in the next few years to push for his ouster]

The Iraqis are equally distrustful of the Soviets, resenting Soviet support for the CPI and past support for Iraqi Kurds (see inset). The Iraqi leadership believes that the Soviets could end CPI subversion in a moment if they wished to, according []

Moscow and Iraq's Kurds

The level of Soviet support for the Iraqi Kurds—20 percents of the population—has fluctuated with the shifts in Soviet ties to the various regimes in Baghdad. When relations are good, Soviet support has been minimal; when relations sour, Moscow pays more attention to the Kurds. Currently, the Soviets keep their distance from the increasingly rebellious Iraqi Kurds. Contact with Kurdish leaders is maintained through a faction of the Iraqi Communist Party that is fighting alongside Kurdish rebels in northern Iraq. Some claim that the USSR is providing arms to Iraqi, Turkish, and Iranian Kurds, but such reports have never been confirmed. Moscow is likely to continue its contacts with Iraqi Kurds to maintain the option of stepping up support to them should Soviet-Iraqi relations deteriorate.

Na'am Haddad, then a senior Ba'th official, called the CPI a "jackey" party in a press conference in 1984 and said that Iraqi leaders saw "no relationship between our stand toward the Communist Party of Iraq and the Soviet Union. Therefore we reject that this or that should have any involvement in drawing up our internal policy."

Moscow's latest effort to improve the lot of the CPI in Iraq apparently came during Saddam's December 1985 visit to the USSR.

The Soviets convinced Saddam to meet with a CPI Central Committee member. Saddam offered amnesty to CPI members who would agree to return from exile but on terms that would severely hamper CPI political activity. The CPI official was inclined to accept the offer, but General Secretary Muhammad is adamantly opposed to reconciliation with Saddam. Thus, the Soviets may have as hard a task getting the CPI to unify and come to terms with Baghdad as they have had convincing Saddam to at least consider ending his repression of the party.

Moscow's embargo of arms to Iraq in the early days of the war with Iran has had a lasting effect on Iraqi views of the Kremlin.

Libya's provision of Soviet surface-to-surface missiles to Iran in 1985 heightened Baghdad's mistrust of Moscow.² Foreign Minister 'Aziz told US officials that Iraq has complained repeatedly to the Soviets. Although Gromyko assured 'Aziz in March 1985 that Moscow had issued a stiff warning to Qadhafi, Iraqi officials were skeptical that the Soviets would press Tripoli very hard.

Beyond the policy differences and the mistrust, the USSR's interests in Iraq are limited by its relationship with Syria and desire for influence in Iran. Moscow has long sought a reconciliation between Baghdad and Damascus with no success. The Soviets' stake in Syria prevents them from moving too close to Iraq, although, as Soviet officials have made clear in the past, Moscow will not give up its influence in Baghdad simply to please the Assad regime.

In the long run, the Soviets see Iran as more important than Iraq. He stated that, although Moscow hopes to avoid having to make the choice, it was prepared, if forced, to sacrifice its influence in Iraq for the chance to gain influence in Iran. Although the diplomat may have been exaggerating for effect, the Intelligence Community has long held that the Soviets see Iran as the greater strategic prize.

² Iran fired some of these missiles into Baghdad in the spring of 1985 and resumed firing in August 1986.

During the rest of the decade, the Soviet-Iraqi relationship is likely to remain a wary one, based almost solely on the arms supply link. Moscow might become even more cooperative in the quality, quantity, and financing of arms supplied to Iraq to counter Baghdad's growing ties to the West, particularly the United States. Such a Soviet step would be more likely should the war with Iran end,²⁷ which would ease Iraq's acute need for Soviet weaponry and allow it the breathing space to shift to greater dependence on Western suppliers—a move under way before the war began.

If Saddam were to die or be ousted, the effect on the relationship would depend upon the nature of the regime that replaced him. From Moscow's standpoint, only an Iranian-dominated Shi'a regime or a more Western-oriented leadership would be worse alternatives than Saddam. If Saddam were simply replaced by his chief lieutenants, which is the most likely scenario, chances are they would share his distrust of the Soviets, although they probably would not allow this to dominate Iraqi policy toward the USSR. The Kremlin might seek to ingratiate itself with the new leaders by offering better credit terms on arms purchases as well as some of the more advanced weaponry it has been reluctant to provide, and possibly intelligence and security support to help maintain them in power. The relationship might become less acrimonious in this case but would probably not differ markedly from that which prevails under Saddam.

*Algeria.*²⁸ The USSR has valued Algeria as an influential member of the Arab community and Third World and as a country developing along an "anti-imperialist" and "progressive" socialist path. Although the Soviets largely stayed aloof from Algeria's struggle for independence from France during 1954-62, they developed a close relationship with Algiers under its first two leaders, Ben Bella and Houari

Boumediene. Algeria purchased virtually all of its military equipment from the Soviet Union and its East European allies, and Moscow and Algiers saw eye to eye on most international issues. The relationship reached its peak in the 1970s, when Boumediene met with the Soviet Ambassador on almost a weekly basis and party-to-party contacts were frequent.

Even under Boumediene, however, the Soviets were unable to develop the kind of influence in Algeria that they had, for example, in Egypt in the late 1960s. The Algerians maintained a certain distance and fiercely guarded their independence. [

Since President Chadli Bendjedid came to power in 1979, the Soviet-Algerian relationship has become steadily more distant, and Moscow has been unable to reverse the trend. The Soviets clearly preferred Bendjedid's leftist rival, Mohamed Satah Yahiaoui, as a replacement for Boumediene, who died in December 1978, and they do not trust Bendjedid. [

[] claim that Soviet support for Yahiaoui has caused Bendjedid's attitude toward Moscow. [

... said that the steady decline in Soviet-Algerian relations over the past few years is a result of Algiers's displeasure with Moscow's unwillingness to provide "full military support" and its attempts to influence Algerian foreign policy. In addition, the Algerians

²⁷ See pages 72-73 for a discussion of Iran-Iraq war scenario.

²⁸ For a more extensive discussion of recent trends in Soviet-Algerian relations, [

Factsheet on Soviet-Algerian Relations

Soviet Ambassador: Vasilij Taratutu (assumed post in April 1983)

Algerian Ambassador: Abdel Madjid Allahoum (assumed post in October 1984)

**Estimated Number of Soviet Personnel
in Algeria (excluding dependents)**

<i>Diplomatic *</i>	80
<i>Military advisers and technicians</i>	800
<i>Economic advisers and technicians</i>	6,000
Total	6,880

**Estimated Number of Algerian Personnel
Receiving Military Training in USSR**

1980	NA
1981	NA
1982	200
1983	300
1984	100
1985	100

Soviet Trade With Algeria (million US \$)^b

	<i>Exports</i>	<i>Imports</i>	<i>Total</i>
1975	156	187	343
1980	143	96	239
1981	157	117	274
1982	183	64	247
1983	217	16	233
1984	175	180	355
1985	158	328	486

**Soviet Economic Credits/Grants Extended
(million US \$)**

1975	0
1980	315
1981	300
1982	0
1983	250
1984	0
1985	340

Military Sales (million US \$)

Facilities Used by Soviet Military

None

* All officials—political, economic, military, intelligence—who work in the Embassy and Consulates (Annaba and Oran), as well as media and trade representatives.

^b From official Soviet statistics, which do not include all military trade.

resent the USSR's willingness to provide their rival, Libya, with large amounts of sophisticated weapons. Bendjedid has:

- *Lessened Algeria's overwhelming dependence on the USSR for arms.* Algiers has begun to purchase major weapon systems from Western countries, and the level of Soviet arms deliveries to Algeria has dropped off markedly since 1982, although a reported new arms deal signed this spring would reverse this decline.
- *Sharply reduced the number of Soviet military advisers and technicians in Algeria.* From a high of 1,500 in 1981, the presence is now down to approximately 800.
- *Curtailed regular consultations with the Soviets.* The visit by the Algerian President to the USSR this spring was only his second since assuming office, and he has not followed Boumediene's practice of frequent meetings with the Soviet Ambassador. The "privileged dialogue" the Soviets enjoyed with senior levels of the FLN under Boumediene was a thing of the past.
- *Dropped many senior-level pro-Soviet Algerian officials.* The Algerian President replaced them with people who support his policy of lessening dependence on the USSR.
- *Begun to modify Algeria's "socialist" economy.* This has included some decentralization, expansion of the private sector, encouragement of foreign

investment, and a shift of emphasis from heavy to light industry. These policies were reflected in the FLN's revision of the Algerian national charter in December 1985. Soviet officials have commented

that the new charter represents a step backward of 10 years in the building of socialism in Algeria

the Soviets are seeking assurances from FLN officials that Algeria will continue to adhere to socialist economic practices.

- *Improved relations with Western countries.* The Algerian President's more positive relationship with the United States appears to worry the Soviets the most

The Soviets have exerted considerable effort to stem Algeria's drift away from the USSR under Bendjedid, especially over the past two and a half years. The Kremlin has sent a host of high-level officials to Algeria to shore up ties (see inset).

Marshal Ogarkov, then Chief of Staff of the Soviet Armed Forces, hoped

High-Level Soviet-Algerian Contacts, 1984-86

<i>May 1984</i>	<i>Shevardnadze—then Georgian party chief and a candidate Politburo member—represents the USSR at the congress of the Afro-Asian Peoples' Solidarity Organization (AAPSO) in Algiers. Received by Bendjedid.</i>
<i>September 1984</i>	<i>Gromyko—then Foreign Minister—and Algerian Foreign Minister Ibrahimi meet while in New York for opening of fall session of United Nations General Assembly.</i>
<i>October 1984</i>	<i>Ponomarev—then candidate Politburo member and Chief of the CPSU Central Committee's International Department—has talks in Algiers with senior FLN and Algerian Government officials. Received by Bendjedid.</i>
<i>November 1984</i>	<i>Soviet candidate Politburo member Demichev has talks in Algiers with Minister of Culture and with senior FLN official Messaadia.</i>
<i>December 1984</i>	<i>Admiral Gorshkov—then Commander in Chief of the Soviet Navy—has talks in Algiers with senior Algerian defense and other government officials.</i>
<i>July 1985</i>	<i>Algerian Navy Commander in Chief Cherif visits USSR and has talks with Admiral Gorshkov.</i>
<i>August 1985</i>	<i>Algerian Prime Minister Brahimi has talks in Moscow with then Soviet Prime Minister Tikhonov.</i>
<i>December 1985</i>	<i>General Ivanovskiy, Commander in Chief of the Soviet Ground Forces and Deputy Defense Minister, visits Algiers for talks with Algerian military and political leaders.</i>
<i>March 1986</i>	<i>Bendjedid makes his second visit to Moscow as president.</i>
<i>June 1986</i>	<i>Major General Bendloucif, then Algerian Army Chief of Staff, visits the USSR and has talks with Soviet military officials.</i>
<i>August 1986</i>	<i>Soviet First Deputy Foreign Minister Vorontsov visits Algiers and has talks with Messaadia and with Algerian Foreign Ministry officials.</i>

Natural gas liquefaction complex in Algeria built with Soviet assistance

during his December 1983 visit to convince the Algerians to abandon plans to purchase arms from the West. Another [] claimed that the visit to Algiers in October 1984 of Boris Ponomarev, then Chief of the CPSU Central Committee's International Department, was prompted by Moscow's concern over Algeria's continuing drift toward the West.

Despite Algeria's slow drift from the USSR, it remains a valuable Soviet friend. It is still strongly nonaligned and anti-Israeli and continues to differ with the United States on many international issues—most important, on how to resolve the Arab-Israeli conflict. The relationship with Algiers also provides Moscow with influence in North Africa beyond its ties to the mercurial Qadhafi regime. The Soviets, moreover, continue to earn valuable hard currency from arms sales to Algeria and still have more economic advisers and technicians there (approximately 6,000) than in any other less developed country. Whatever Bendjedid's long-term plans are, they will be heavily influenced by the fact that Algeria's armed forces remain overwhelmingly Soviet equipped.

[] that they believe Algeria's growing economic problems and concern about the intentions of Morocco and Libya will oblige Bendjedid to curtail his economic liberalization, distance Algiers from Washington, and strengthen ties to

Moscow. We believe, however, that the carefully planned nature of Bendjedid's policy changes indicate they are unlikely to be reversed while he remains in power. The broad-based support within the FLN for Bendjedid's shift away from the USSR makes it likely that the policy would even survive his departure. Thus, the Soviets almost certainly will not be able to restore the relationship during the rest of the decade to the closeness that characterized it under Boumedienne. This represents an important setback to Moscow's position in the Maghreb and in the Middle East as a whole.

The PLO. The Soviets, by identifying themselves since the early 1970s with the Palestinian Liberation Organization (see table 3), have attempted to gain:

- Enhanced stature among the Arabs, most of whom regard a country's position on the Palestinian issue as a litmus test of its support for the Arab world.
- An edge with the Arabs over the United States, which does not recognize the organization.
- An added means of leverage on Israel.
- A potential tool with which to hinder a US-sponsored Arab-Israeli settlement and a right to claim for themselves a role in any settlement.
- A source of influence in the region beyond established government.

Moscow, however, has never been comfortable with the ideologically diverse PLO, which depends on support from such conservative, anti-Soviet Arab governments as Saudi Arabia. As one scholar noted in a 1980 study of the Soviet-PLO relationship, the PLO is "far too unstable, uncertain and divided, far less Marxist and yet far too extremist to be Moscow's preferred partner." * Palestinian disunity, in particular, has contributed to the USSR's hesitation to take a definitive stance and has led to its numerous shifts in policy toward the PLO. Despite the PLO's importance

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Galia Golan, *The Soviet Union and the Palestinian Liberation Organization: An Uneasy Alliance* (New York: Praeger, 1980), pp. 253-54.

Table 3
Groups Within the Palestine Liberation Organization *

	Leader	Headquarters	Size
Pro-Arafat			
Fatah loyalists	Yasir Arafat	Tunis	6,000 to 8,000 scattered
Arab Liberation Front (ALF)	'Abd al-Rahim Ahmad	Baghdad	300 to 500 in Iraq
Front for the Liberation of Palestine (FLP)†	Muhammad 'Abbas (Abu al-Abbas)	Tunis	50 to 100
Neutral			
Democratic Front for the Liberation of Palestine (DFLP) (Marxist)	Nayif Hawatmah	Damascus	1,200 to 2,000 scattered
Front for the Liberation of Palestine (FLP)‡	Tal'at Yaqub	Damascus	Approximately 150
Pro-Syrian			
Palestine National Salvation Front			
Popular Front for the Liberation of Palestine (PFLP) (Marxist)	George Habbash	Damascus	1,500 to 2,000 scattered
PFLP-General Command (PFLP-GC)	Ahmad Jibril	Damascus	800 to 1,000, mostly in Syria and Lebanon
Sa'iqs	'Isam Qadi	Damascus	500 to 1,000
Popular Struggle Front (PSF)	Shamir Ghawshah		200 to 300 scattered
Front for the Liberation of Palestine (FLP)‡	'Abd al-Fattah Ghanim	Damascus	Approximately 150
Fatah rebels	Sa'id Muragha (Abu Musa)	Damascus	500, mostly in Syria and Lebanon

* The Palestinian Communist Party (PCP) is not a member of the PLO. In recent years, the PCP has cooperated closely with Hawatmah's DFLP. The Abu Nidal faction also is not a PLO member.

† Also known as the Palestine Liberation Front.

to Moscow, the fact that it is not an established government allows the Soviets to pursue a more tactical policy toward it.

This tactical flexibility toward the PLO has been especially evident since the Israeli thrashing of PLO forces in Lebanon in 1982. The USSR's cautious reaction to the Israeli action strained Soviet-PLO

relations. Ties between Moscow and Arafat have been further complicated by the Soviet unwillingness to take forceful action to convince Syrian President Assad to abandon his efforts since 1983 to oust Arafat and gain control of the PLO. Although the Soviets have made their displeasure with this Syrian policy known to Assad, they have been careful not to allow the issue to jeopardize relations with their most important ally in the Middle East.

The Leftist Alternative

Moscow has long maintained support for the Palestinian leftists, even while its relations with Arafat were good. The Palestinian Communist Party is the faction closest to the Soviets, but its influence among Palestinians has been limited. The much more influential Democratic Front for the Liberation of Palestine (DFLP)—a Marxist group—has cooperated closely with the Kremlin for years. Former Soviet leader Andropov told a [] Communist leader in 1982 [] that the DF-LP is the PLO's purest element—evidently meaning the most ideologically sound. The Popular Front for the Liberation of Palestine (PFLP)—also Marxist—has had its differences with the Soviets because of its more militant stance toward Israel.

It does not appear that the Kremlin views the leftists at this point as a replacement for Arafat. []

Nevertheless, Moscow probably sees the leftists as a corrective influence on the "bourgeois" Arafat and as potential candidates for future leadership of the Palestinian movement. Soviet support for the leftists seems designed to reunite the PLO on a basis that curtails Arafat's ability to pursue talks with Arab moderates, the United States, and—eventually—Israel. Moscow also apparently hopes the leftists can help mend the Arafat-Assad rift.

The Soviets have been torn by conflicting interests in the Arafat-Assad dispute. Although the USSR agrees with some of the criticism directed at Arafat by Assad and the Syrian-backed PLO factions, it does not want to see the PLO come under Syrian control. Such a development would force the Soviets to deal with the Palestinians through fiercely independent Damascus. Arafat's moves in late 1984 to form a joint PLO-Jordanian delegation for peace talks with Israel, however, prompted Moscow to move closer to the position of Syria and Arafat's PLO opponents. The

Soviets' primary reason for opposing the Arafat-Hussein accord was the fear that it might have facilitated US-sponsored talks between the joint PLO-Jordanian delegation and Israel that excluded both Syria and the USSR. []

[] told PLO political department chief Qaddumi during his visit to Moscow in January 1986 that this would lead to US domination of the Middle East and pose a grave threat to the Soviet Union.

Former Soviet leader Yuri Andropov and PLO leader Yasser Arafat during his last official visit to Moscow in January 1985

The unraveling of the Arafat-Hussein accord in late 1985 and early 1986 has prompted the Soviets and Arafat to once again move closer: Arafat, because he is increasingly isolated; and Moscow, because it evidently senses that Arafat's weak position leaves him no choice but to improve relations with the USSR on its terms. Gorbachev apparently met with Arafat during the East German party congress in April 1986, according to PLO radio and

This was the first time a Soviet leader held talks with the PLO chief since 1983. The Soviets are also stepping up efforts to reunify the PLO. According to Moscow's mediation was responsible for the PLO's decision to send a joint delegation, with representatives of all the major factions to the 27th Congress of the CPSU in February.

The Soviets, however, do not appear convinced that Arafat has totally abandoned hopes of collaboration with King Hussein

would not rule out Arafat's future cooperation with Hussein. He also was pessimistic about reconciliation among PLO factions. Moscow's failed attempts in the summer and fall of 1986 to broker PLO unity

The Palestinian issue is likely to remain the central one in the Middle East, regardless of who wins the power struggle within the PLO, and the Soviets will

continue championing the cause. But the PLO's value as a vehicle for advancing Soviet interests in the region probably will remain much diminished. The PLO's internal rifts and feud with Syria put the attainment of Arab unity, which the Soviets consider essential, even further away. It will be difficult for the Soviets to achieve one of their primary goals in the Middle East—a major role in an Arab-Israeli peace conference—without close ties to a strong PLO that cooperates with Syria. Moscow would be unable to parlay its role as a benefactor of the PLO to obtain a seat at such a conference if the mainstream of the PLO remains at odds with Syria and the Palestinians themselves remain badly divided

Friendly Moderates

Moscow has long sought, as a part of its broader Middle Eastern strategy, to cultivate ties to the "moderate" Arab regimes. The Soviets have had their most success with three monarchies (*Jordan, Kuwait, and Morocco*), a military dictatorship (*Mauritania*), and three ostensible parliamentary democracies (*Tunisia, Sudan, and Lebanon*). Although the Kremlin's long-term objective is developing Soviet influence in these countries, its more immediate and realistic goal is eroding US influence. The Soviets have had their setbacks—most notably in Sudan under Nimeiri—but on balance their patient courting has paid some important dividends. Most, if not all, of these countries have:

- Acknowledged publicly that the USSR has an important role to play in the Middle East.
- Endorsed (albeit not necessarily enthusiastically) Moscow's call for an international conference on the Arab-Israeli dispute.
- Muted concerns about Soviet policies, particularly on Afghanistan

The key to Moscow's success has been its identification with the Arab cause, especially on the Palestinian question. The Soviets have also used arms sales to make inroads with some of the "friendly moderates." They signed minor arms deals with Morocco and Lebanon in the 1960s and 1970s and briefly were

Sudan's primary source of arms in the early 1970s. More recently, the USSR has provided Jordan and Kuwait with air defense weapons, capitalizing on the US Congress' reluctance to sell those countries certain arms. Although the Soviets have not sold arms to Tunisia, it is the one "friendly moderate" that allows Soviet naval ships regular access to its ports."

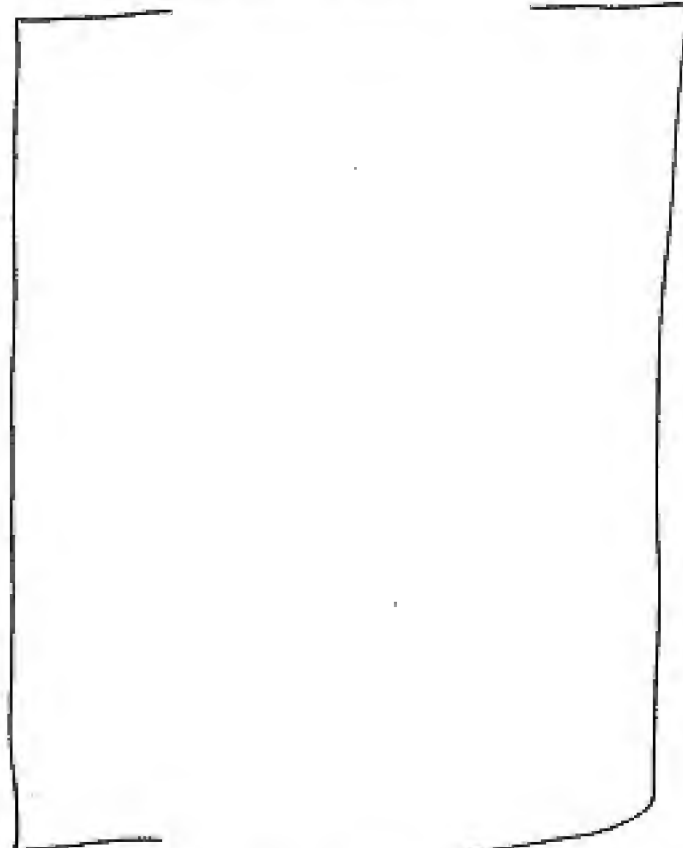
Trade and economic assistance have played only a minimal role in Moscow's relations with these countries. The only exceptions are Morocco, where the Soviets have invested heavily in the development of phosphates and have a profitable fishing agreement, and Mauritania, where they have a similar arrangement to fish in coastal waters in return for helping develop the Mauritanian fishing industry. Recent Soviet discussions with Kuwait on a variety of economic projects are likely to result in Kuwait's joining the list of exceptions.

Lebanon is important to the Soviets because of the Palestinian and Syrian presence and the US interest in it rather than for its intrinsic significance. They do not have major interests at stake there. They have sought influence with both the central government and the various political and religious factions but have never been a major actor. Moscow's closest ties are to the Lebanese Communist Party. The USSR also has a long history of dealings with such minor leftist groups as the Communist Action Organization, the Syrian Social Nationalist Party, and the Murabitun. Since the Israeli invasion of 1982, the Soviets have focused attention on two of the most influential factions, the Druze Progressive Socialist Party (PSP) of Walid Junblatt and the Shia Amal of Nabih Barri. They have become particularly close to the PSP, providing it with the bulk of its arms.

Similarly, the Soviets have attempted—unsuccessfully—to play some role in the international efforts to resolve the Lebanese problem. This has stemmed more from a desire to head off a US-brokered solution and find another entree into Middle Eastern affairs

"The Moroccans apparently are easing their restrictions on Soviet naval visits. A Soviet guided-missile frigate and a minesweeper called at Casablanca in September, the first such port call in Morocco in a decade.

than from a genuine interest in getting involved in the Lebanese quagmire. Although the Soviets do not want to see Lebanon controlled by Syria, the importance of their relationship with Damascus is likely to prompt them to continue deferring to Syrian interests in Lebanon during the rest of the decade.



it appears that Moscow is also beginning to see an economic rationale for its presence in Kuwait. During the visit to Kuwait in July of Konstantin Katushev, Chairman of the Soviet State Committee for Foreign Economic Relations, the two sides neared agreement on a host of economic deals. According to []

and Kuwaiti newspapers, such deals include:

- A Kuwaiti loan to the USSR of \$150 million at a favorable interest rate for construction of a natural gas pipeline between the Soviet Union and Greece.

- A swap of oil, whereby Kuwait would provide oil to Soviet customers in Asia and East Africa while Moscow would do the same for Kuwaiti clients in Western Europe.
 - A similar swap involving ammonia deliveries.
 - Kuwaiti assistance in oil refining, exploration, and drilling techniques for joint projects in the USSR.
- The last deal, in particular, could provide Moscow access to advanced oil technology denied to it by the West

Moscow received a windfall in Sudan with the ouster of the anti-Soviet Jaafar Nimeiri in April 1985. The Soviets dealt cautiously with the transitional regime of General al-Dahab, probably out of uncertainty over its longevity and in deference to the Ethiopians, who strongly opposed the regime. At the same time, the Kremlin stepped up aid to the Sudanese Communist Party and, via Ethiopia, has been providing indirect military support to the Marxist southern insurgent leader, John Garang, and his Sudanese People's Liberation Army (SPLA), according to []

[] Although we believe Moscow's military support is not extensive, the Soviets almost certainly approve of Ethiopia's transfer of its Soviet-supplied arms to the SPLA.

The Soviets probably will continue their current dual-track approach with the new government headed by the Umma Party's Sadiq al-Mahdi. As his August visit to the USSR indicated, Moscow is likely to try currying favor with his government, while keeping a certain distance so as not to jeopardize relations with a possible successor should Sadiq's rule prove short lived. The Soviets may offer to repair Sudan's aging inventory of Soviet arms and possibly sell new weapon systems once they believe Sadiq has consolidated power, provided Khartoum first curtailed assistance to Ethiopian insurgents. Libya's ties to Sadiq could provide the Soviets an opening, but they are likely to tread carefully to avoid a backlash should Qadhafi's intrigues backfire.

Should Sadiq's rule lead to increased instability, or should the SPLA score significant gains, the Soviets would be likely to step up aid to the Communists and to Garang's forces. They would attempt, however, to

disguise such aid to avoid harming relations with Cairo. Egypt is far more significant to Soviet interests in the Middle East than is Sudan, which is likely to remain an economic and political basket case during the next five years regardless of who is in control in Khartoum.

Despite the inroads Moscow has made with the friendly moderates, virtually all maintain good relations with Washington. Morocco, Jordan, and Tunisia retain important military links to the United States. Moreover, all of the friendly moderates remain skeptical about Soviet intentions. Morocco, for example, continues to suspect that the Soviets are aiding the Polisario rebels in the Western Sahara (see inset).

The Soviets are certain to continue their low-cost efforts to woo the friendly moderates away from dependence on Washington. In most cases, Moscow has little to lose, and in those areas—such as Lebanon—where Soviet ties to more important Arab countries impinge, preserving those ties will continue to take precedence. Internal instability in some of these countries is likely to offer Moscow the best opportunities for advancement. Instability in Lebanon

Moscow, Rabat, and the Polisario

The Soviets sympathize with the cause of the Polisario rebels, who are seeking an independent state in the Western Sahara. The Kremlin supports Saharan "self-determination"—as opposed to independence—in international forums and sanctions the transfer of Soviet arms to the rebels by Algeria and Libya. [

✓] The USSR has authorized Algeria to transfer arms that it no longer needs to the Polisario, but not any major systems that might internationalize the conflict in the Western Sahara [

Moscow, however, refrains from direct contact with the Polisario and has neither accorded it the status of a national liberation movement nor recognized the Saharan Democratic Arab Republic (SDAR). Even the staunchly pro-Moscow Moroccan Communist party (the Party of Progress and Socialism) backs the Moroccan Government's claim to sovereignty over the Western Sahara. [

✓] The USSR provides no direct military support and scant humanitarian aid. Cuban officials reportedly [] that each time they have

urged Moscow to take a more active role in aiding the Polisario, they have been firmly rebuffed. [

The Kremlin's caution stems from its desire to maintain good relations with Moroccan King Hassan as well as an apparent judgment that the Polisario's chances of establishing an independent state any time soon are slim. In response to a question at a public lecture in 1982 in Moscow as to whether the Soviet Union recognized the SDAR, a Soviet specialist on North Africa from the Academy of Sciences' Africa Institute claimed the issue was "complex" because the Soviets had to "take into account our good relations with Morocco. [

✓] The Soviets believed that Hassan would maintain normal relations with the USSR to ensure that it would not step up aid to the Polisario. [

and Sudan during the past three years already has eroded US influence and brought in regimes much more willing to deal with the Soviets than their predecessors had been. Domestic unrest in Morocco and Tunisia is likely to grow over the next few years, potentially providing the USSR with fertile ground to expand its influence or at least undermine that of the United States. And in Mauritania, where a military-led coup occurred in 1984, the chronic instability of the central government may eventually offer the Soviets opportunities in that far-off corner of the Middle East. [

Wary Moderates

The only states the USSR does not have diplomatic relations with in the Middle East are the Persian Gulf

monarchies of *Qatar, Bahrain, and Saudi Arabia*.²² The Soviets scored their first breakthroughs in the region in years in the fall of 1985, when they established relations with *Oman* and the *United Arab Emirates (UAE)*. [

Moscow's primary objective in the Persian Gulf region, in our view, is the elimination of the US military presence. Soviet propaganda incessantly criticizes the conservative Gulf countries for cooperating militarily

²² Neither the Soviets nor the Saudis ever formally severed diplomatic relations when Moscow withdrew its emissary from Saudi Arabia in the late 1930s. Thus, technically they still have relations, but in fact there have been no ties for almost 50 years. [

Israel

The USSR's relationship with Israel has been a paradoxical one. Since as far back as Lenin, Soviet Communists have intensely distrusted Zionism, which they regard as reactionary and "bourgeois" despite its socialist element. Nonetheless, the Soviets were among the first to recognize the new Jewish state in 1948; but they have severed relations with it twice since then, in 1953—for five months—and in 1967. Israel's existence and US support for it have provided the Soviets their best entree for influence in the Arab world; yet their self-inflicted inability to talk with Israel has put them at a distinct disadvantage vis-a-vis Washington—which has influence with both sides of the Arab-Israeli conflict.

The presence of over 2 million Jews in the Soviet Union, many of whom desire to emigrate, and the fact that Israel sees the protection and eventual emigration of Soviet Jews as a vital national interest add a volatile factor that is not present in the USSR's relationship with most other countries. The interest of American Jews and the US Government in the plight of Soviet Jews has had repercussions in US-Soviet relations. The collapse of the deal between Washington and Moscow in January 1975 that would have given the Soviet Union most-favored-nation trading status was a direct result of the Congress' Jackson-Vanik amendment, which required that the Soviets let a certain number of Jews leave each year—a pledge the Kremlin refused to make.

Moscow, in addition, has to factor into its Israeli policy the strong US commitment to the existence of Israel and the increasingly close security relationship between Washington and Tel Aviv. The Soviets have displayed concern over the US-Israeli "strategic cooperation" agreement—signed in 1981 but not implemented until 1983—particularly its focus on countering the USSR in the Middle East (see inset).

"Another irony of Soviet policy toward Israel is that, although Israeli society and policies come under harsher criticism from Moscow than those of any other Middle Eastern state, Israel is the only country in the region where the Communist Party has some influence in the national legislature (it holds four seats in the 120-seat Knesset) and can legally criticize the government.

The US-Israeli Military Relationship

For years, Moscow's propaganda has depicted Israel as a US "gendarme" in the Middle East, and the US-Israeli "strategic cooperation" agreement of 1981 only reconfirmed that view. The USSR's special concern is that the US-Israeli Memorandum of Understanding on strategic cooperation is specifically aimed at countering potential Soviet military moves in the Middle East. One Soviet official, in talks in 1983, said the agreement is "an unprecedented military-political concord in the domain of international relations" because it refers to the Soviet Union as the "officially defined adversary."

The Kremlin also has been worried by the exchange of military technology and know-how between Israel and the United States. The Soviets, for example, issued an official TASS statement in May 1986 condemning Israel's decision to participate in research for the US Strategic Defense Initiative.

Lack of Relations

The Soviets have long acknowledged to US and Israeli officials that it was a mistake to break relations in 1967 at the end of the Six-Day War.

Some Soviets have called the Kremlin's decision to break relations an "emotional act" and others, a rash move "in the heat of the moment."

At the same time, Moscow has continued since 1967 to emphasize that Israel has the right to exist. The Soviets have stated this explicitly in most of their "peace plans" for an Arab-Israeli settlement. Gromyko made one of the most emphatic Soviet

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public statements on this issue in a news conference in Moscow on 2 April 1983, when he declared that: "We do not share the point of view of extremist Arab circles that Israel should be eliminated . . . [this is both] unrealistic and unjust."

Within two years of the break in relations, the Soviets were probing for ways to renew ties

During this period, Soviet officials leaked numerous stories about an imminent resumption of Soviet-Israeli relations. In the reverse of today's situation, it was the Israelis who played hard to get and denied in public any movement toward restoration of ties. The Camp David accords in 1978 ended the USSR's courting of Israel, although periodic contacts have continued.³

Recent Developments

There has been an increase in Soviet-Israeli contacts since Gorbachev's accession to power. The Kremlin almost certainly approved Poland's agreement with Israel to open interest sections in Warsaw and Tel Aviv. One of the most significant Soviet steps was the decision to meet with Israeli officials in Helsinki in August 1986 to arrange for a Soviet consular delegation to go to Israel to review the operation of the Soviet interests section run by the Finnish Embassy and handle some consular matters. Although the Soviets abruptly ended the meeting when the Israeli side attempted to discuss Soviet Jewry and demanded that an Israeli delegation be allowed to go to Moscow, the meeting served as a signal to the Arabs that the USSR has the ability to develop its own independent

policy toward Israel. Foreign Minister Shevardnadze's meeting with then Prime Minister Peres, at the latter's request, in September at the United Nations reiterated the point, even though Moscow went out of its way to criticize Israeli positions in its media coverage of the meeting.

The Balance Sheet From Moscow's Perspective

When Soviet leaders weigh the merits of resuming ties to Israel, they probably calculate that, on the credit side, reestablishing relations would provide an entree into Arab-Israeli negotiations from which they have been excluded since 1973. Specifically, Moscow would hope to convene its long-proposed international conference. Israeli (as well as US) opposition has been the biggest obstacle to holding such a gathering. Such a step would probably also improve the atmosphere in US-Soviet relations and possibly even lead to an easing of US restrictions on trade with the USSR.

On the debit side, reestablishing formal ties would alienate Moscow's Arab friends, most importantly the Syrians and Palestinians. Gromyko cited this as the primary reason for not taking this step when

³ The foreign ministers met—on Israel's request—at the opening sessions of the UN General Assembly in 1981 and 1984; Shevardnadze met then Prime Minister Peres at the 1986 session; and Soviet and Israeli ambassadors in the major capitals meet occasionally. In addition, each May on the anniversary of the victory over Nazi Germany, Moscow sends a high-level delegation to Israel and Israeli leftists go to the USSR.

ISSUE WITH HIM IN 1976. [] broached the [] Syrian

opposition prevented the USSR from restoring ties to Israel any time soon. More recently, Shevardnadze

retorted that the USSR could not abandon its principles and must consider how its friends might react.

Moscow's concern about Syria's reaction appears to be well founded. President Assad's spokesman said in a public statement in November 1985 that "nothing justifies" the resumption of Soviet-Israeli relations as long as Israel continues to occupy Arab territories. Syria's severance of diplomatic relations with Morocco in July 1986 for hosting a visit by Peres indicates the intensity with which Damascus regards the issue.

Moscow could argue with its Arab allies that having relations with the Israelis will give it leverage over Tel Aviv, which could be used to obtain a favorable peace settlement. It is doubtful, however, that the Soviets would gain such leverage or that the Arabs would be placated by Moscow's argument. Israel has not been willing in the past to compromise on vital issues in return for better treatment of Soviet Jews and is unlikely to begin doing so simply because it has diplomatic relations with the USSR. Gromyko made this point in 1976, as did Vladimir Polyakov, chief of the Foreign Ministry's Near East and North Africa Administration, in talks with US officials in June 1986.

Some in Moscow would probably argue that the Arabs have nowhere else to turn and thus would have to acquiesce in a Soviet move to renew relations, no matter how distasteful. Most Soviet officials, however, probably are not that confident about the USSR's position with the Arabs. They are likely to worry that the damage in relations with the Arabs would be deep and lasting, possibly even severe enough to convince some—such as the Syrians and Palestinians—that there was no choice but to throw in their lot with the United States, as Egypt did, to get the best available deal with the Israelis. At the same time, these Soviets probably would argue that restoring relations is likely to encourage the moderate Arabs to reach an accommodation with Israel.

An added complication for the Soviets in restoring ties would be the opening of an Israeli Embassy in Moscow that would be a magnet for "refuseniks" (Soviet Jews who have applied to emigrate but have not been allowed to leave) and the Soviet Jewish population in general.

Moscow in 1974 that this would be a serious problem for the Soviets requiring firm guarantees from Israel limiting the activities of an Israeli Embassy in Moscow.

Prospects

Israeli flexibility on an international conference and the level of tensions between Israel and Syria are likely to determine the pace of Soviet moves to normalize relations, regardless of whether the hard-line Likud or the more moderate Labor Party is in power. It would be difficult for the Soviets to convince Syria of the necessity for renewed Soviet-Israeli relations if Israel continues to hold to its current positions on the Palestinian question and the Golan Heights or new Syrian-Israeli hostilities erupt. Moscow's officially declared position is that relations will not be restored until Israel returns all of the lands seized in 1967, but we believe it is likely to take further steps toward better ties even without such Israeli concessions.

The Soviets probably will move very gradually to give the Arabs time to get used to the idea of better Soviet-Israeli ties before reestablishing full diplomatic relations. And Likud leader Shamir's scheduled tenure as prime minister until late 1988 is likely to hinder progress in Soviet-Israeli relations. It appears, however, that the Gorbachev foreign policy team—possibly prodded by CPSU International Department Chief Dobrynin, who reportedly has long favored restoring ties—is determined to find a way to correct the blunder Moscow made in 1967 by breaking relations.

An easing of tensions between Moscow and Washington will not automatically lead to improvement in Soviet-Israeli relations, but the last serious Soviet

efforts to improve ties occurred during the heyday of detente. The Kremlin probably would hope that one benefit from improved US-Soviet relations would be cooperation on issues such as the Arab-Israeli conflict.

The Gorbachev regime's view of the USSR's internal security—specifically, the extent to which dissent and emigration are to be tolerated—also will color its policy toward Israel. If Gorbachev continues his current tough policies toward Soviet Jews, this probably would indicate that he has no real intention of softening the Soviet position on Israel.¹⁰ On the other hand, an easing of restrictions on Soviet Jews would not necessarily mean Moscow was planning to reestablish ties to Israel. Such a liberalization could be directed more at influencing policy in Washington than in Israel.

The Northern Tier

Iran

Just as Egypt is the key Soviet target of opportunity in the Arab world, so Iran is in the northern tier. Its size, location, and oil wealth give it key significance in Soviet strategy toward the Middle East. Although we assume Moscow's ultimate goal has been and remains the establishment of a pro-Soviet regime in Tehran, its more immediate concern has been to prevent its adversaries from achieving predominant influence there. Soviet concern over British and German ascendancy in Iran and how those powers might use their position in the country to threaten the USSR played a role in prompting the Soviet occupation of parts of northern Iran in 1920-21 and again from 1941 to 1946. The Shah's overthrow in 1979 ended a period of more than 30 years during which the Soviets faced an extensive US presence in Iran. Capitalizing on this strategic windfall has been Moscow's primary aim in Iran.

¹⁰ Although Gorbachev freed dissident Anatoliy Shcharanskiy, who has settled in Israel, he has not eased up on overall Jewish emigration. The number of Jews allowed to leave the USSR in 1986 is running at a rate that would put the year-end total lower than any year since 1970. In addition, Gorbachev's regime has stepped up its repression of Jewish "refuseniks."

The Soviets have had almost no success in replacing US influence in Iran with their own. Soviet-Iranian relations have deteriorated sharply since 1982, when Moscow abandoned its efforts to court Ayatollah Khomeini's regime and tilted toward Baghdad in the war between Iran and Iraq. Since 1984 Tehran has shown signs of desiring a halt to the slide, but Moscow has not been convinced of the Khomeini regime's sincerity and has maintained a tough posture toward Iran. Soviet media criticism of Iranian policies continues almost unabated.¹¹ The visit to Tehran in February of then First Deputy Foreign Minister Korniyenko was the highest level Soviet visit to Iran since the Shah's fall, but by most accounts neither side showed a willingness to compromise on the basic issues dividing them. Similarly, the visits to the USSR in the summer of 1986 by two Iranian ministers, despite the positive handling in both sides' media, yielded few results—save, perhaps, in the energy sphere (see page 57).

Despite this lack of success, the Soviets probably are satisfied that Washington also has not been able to reestablish itself in Iran. Concern that the United States will do so has evidently been high in Moscow.

¹¹ Moscow may have slightly softened its stance by stopping in September the operations of the "National Voice of Iran" (NVOI), a radio station that has broadcast in Persian and Azeri to Iran out of Baku in Soviet Azerbaijan since 1959. The significance of this step, however, is undercut by the fact that the Moscow-controlled Tudeh (Communist) party continues to broadcast anti-Khomeini propaganda to Iran from a radio station in Kabul, Afghanistan—"Radio of the Iranian Teller."

For example [

] Iran was increasingly turning to Western technology and that its leaders were at heart oriented toward the Western economic system. This theme is expressed more directly in Soviet scholarly and journalistic writings on the Islamic regime. For instance, Soviet media gave extensive coverage to the US acknowledgment in November that it had secretly provided some arms to Iran. [

[

] the Soviets viewed with considerable concern the possibility that the United States would take military action to restore its position in Iran. He said the USSR's primary goal in Iran is to prevent the United States from regaining influence

Policy Differences. The trend in Soviet policy toward Iran since 1982 and the continued hostility of Khomeini toward the USSR strongly suggest that there will be no significant improvement in bilateral relations as long as the Ayatollah remains in power. Beyond the basic ideological differences separating the two regimes and Iran's traditional fear of its powerful northern neighbor, the issues hindering better relations today are:

- Moscow's military support for Iraq.
- The continuing Soviet occupation of Afghanistan and Iran's support for the Afghan rebels.
- Tehran's occasional hostile treatment of Soviets accredited to Iran and Moscow's withdrawal in 1984 and 1985 of most of its economic advisers and technicians from Iranian industries.
- The Khomeini regime's repression of the Tudeh Party.
- The public criticisms the two sides exchange in their media.

The first two issues are the most significant and the ones on which changes in Soviet and Iranian positions are least likely over the next few years. Moscow has gone to great lengths to improve its position in Iraq

Soviet Reassessment of the Iranian Revolution

An article in the July 1982 edition of the CPSU Journal Kommunist was a landmark in the Soviets' reappraisal of the Iranian revolution. The author, Rostislav Ul'yanovskiy, a deputy chief of the CPSU Central Committee's International Department and one of the USSR's senior specialists on the Third World, stated that the fundamentalist clerics' consolidation of power in the summer of 1981 marked the end of the revolution's "genuinely people's antiimperialist" nature and the beginning of an "illusory" quest for an Islamic "third path" between capitalism and socialism.

Ul'yanovskiy claimed the February 1979 revolution was "bourgeois democratic" and could have moved in an "anticapitalist" (that is, pro-Soviet) direction. Unfortunately, he lamented, the complete triumph of the Shia clergy stifled the revolution's "progressive" tendencies:

The more the new organizations's power with its specifically Islamic features strengthened, the more rapidly the foundations of the revolution as a truly people's antiimperialist and democratic revolution were eroded

The article was a rationalization and, at the same time, a confirmation of the negative shift in the USSR's view of Khomeini's Iran. Articles and books by Ul'yanovskiy and others emphasizing the same themes in even more strident forms continue to appear in Soviet media

since 1982 and, as long as the war continues, is not likely to lessen its military support for Baghdad unless a clear prospect for major Soviet gains in Iran were to arise. The Soviets are not likely to pull out of Afghanistan entirely any time soon, and the Iranians are becoming bolder in their support for the rebels. Soviet media in February criticized Tehran for sending a clerical delegation into Afghanistan to meet

Table 4
Soviet-Iranian Trade

Million US \$

	Soviet Imports From Iran	Soviet Exports to Iran
1975	317	391
1980	116	399
1981	653	367
1982	260	795
1983	509	755
1984	298	297
1985	163	245

Source: Soviet trade statistics, rounded to nearest million US dollars.

with rebels and claimed "the Iranian officials' intervention in Afghanistan's domestic affairs is becoming more blatant and overt."

Iranian Deputy Foreign Minister Larijani's talks with Soviet officials in Moscow in August yielded no meeting of the minds on Afghanistan. And, in December, *Izvestiya*, in one of the hardest hitting public Soviet criticisms of the Khomeini regime to date, accused it of cooperating with the United States in an "undeclared war" against the Marxist government in Afghanistan and in denigrating the USSR's "international assistance" to the Najib regime.

Possible Areas for Improvement in Relations. Even without movement on these issues, however, a lessening of the current high state of tensions is possible while Khomeini is in power.

Tehran's primary goals are to lessen Soviet military support for Iraq and convince Moscow to sell Iran major weapon systems. Although the Soviets have dragged their feet in responding to Iran's overtures, and bilateral trade in 1985 dropped to its lowest level since the early 1970s (see table 4), economic discussions are continuing. Both governments have indicated that some Soviet economic advisers and technicians are likely to return to Iran in the near future. Iran's Minister of Petroleum claimed after his August 1986 visit to Moscow that the two sides would conduct a three-month study to assess the possibility of resuming Iranian natural gas exports to the

USSR." Tehran terminated such deliveries in 1980 because of difficulties over pricing. Even if the two could agree on pricing, refurbishing the IGAT I pipeline would take six months to a year.

The Soviets also might be willing, in return for Iranian concessions on other issues, to increase their arms sales to Tehran. Moscow already has allowed its East European allies to boost arms sales to Iran. Such sales increased by a factor of six in 1984

but dropped off again in 1985 (see figure 7).

systems probably stems from two factors: they do not want to enable Iran to expand the war, and they want to avoid antagonizing Iraq.

The Soviets have made no public mention of such an agreement.

not been a major factor in Iranian politics since the 1940s, and its ability to operate in Iran has been drastically reduced since the Khomeini regime declared the party illegal in 1983 and arrested many of its leaders, who remain in jail. The remnants of the party leadership fled to the Soviet Union and Eastern Europe and elected a new general secretary, Ali Khavari, to replace the imprisoned Nureddin Kianuri. The party's membership, which—according to [redacted]—totaled no more than 1,000 in 1982, almost certainly has dwindled further.

After Khomeini. Although the Soviets are unlikely to soften their stance on Iran significantly as long as Khomeini is in power, they probably would mount a major effort to court a successor regime even if it were run by other fundamentalist clerics—the most likely development. (Khomeini is around 87 and reported to be in failing health.) If the new regime adopted a less hostile policy toward the USSR than Khomeini's, the Soviets would be likely to follow a policy of inducements aimed at improving state-to-state relations and, ultimately, increasing Soviet influence in Iran. They tried this for three years before giving up on Khomeini.

Should a successor regime prove to be as anti-Soviet as Khomeini's or, on the other hand, should a major power struggle ensue, Moscow almost certainly would use the potential levers it has both inside and outside Iran to promote the establishment of a pro-Soviet regime in Tehran. Ideally, the Kremlin would hope for a regime headed by the staunchly pro-Soviet Tudeh (Communist) Party. The Tudeh, however, has

The Soviets presumably recognize the Tudeh's weakness, and they have been calling for a united front of leftists (including the Fedayeen-e Khalq, Mujahedin-e Khalq, and Paykar parties) and disaffected minorities (see inset). Not all of these groups, particularly the strongest—the Mujahedin—are interested in cooperating with either the Tudeh or the Soviets, however, and the prospects for such a united front seizing power or even wielding major influence are likely to remain slim for some time to come.

Moscow has two other levers—economic and military—with which to influence Iran. Iran's need for Soviet assistance in operating key components of the steel and power industries has already been noted. In addition, approximately 13 percent of Iran's imports currently transit Soviet territory, according to Iranian trade data. A Soviet ban on this transit trade would

Moscow and Iran's Minorities

The Soviet Army helped install the short-lived leftist, separatist regimes in Iranian Azerbaijan and Kordestan in 1943, and Moscow has maintained relationships with the Azerbaijani and Kurdish Democratic Parties, which remain influential in their respective regions (see foldout figure 12 at the back). The Soviets have spoken out openly since 1982 for Kurdish autonomy, and the media in the USSR's own Azerbaijani Republic often issue veiled calls for "reunification" of Soviet and Iranian Azeris. In addition, reports [

] suggest that the Soviets maintain some contacts in Iranian Baluchistan, and Soviet media occasionally call for autonomy for the Baluch [

] that the Soviets were not backing the minorities out of concern that instability in Iran would be likely to bring about Western intervention [that they would much prefer influence over a unitary Iran rather than full control over fragments of the country.

We believe concern about Western intervention will continue to shape Moscow's policy toward Iranian minorities as long it views the regime in Tehran as antagonistic toward Washington. Should an Iranian government begin to turn back toward the United States, the Soviets probably would try to stir up the minorities on the assumption that instability is preferable to an Iran that is again in the US camp. '

create economic hardships for Iran, but almost certainly not enough to force it to alter its basic policies. Moreover, by wielding such a lever, Moscow risks pushing Tehran closer to the West out of economic need

Military Pressure. The presence of substantial Soviet military forces in the southern USSR and Afghanistan gives Moscow its most powerful potential lever

over Iran (see foldout figure 13 at the back). The Soviets have 28 divisions (26 motorized rifle, one tank, and one airborne) in the three military districts north of Iran and the equivalent of five or six divisions in Afghanistan. The divisions in the Turkestan, Transcaucasus, and North Caucasus military districts are among the least-well-equipped Soviet forces in the USSR's border regions. We believe, however, that these forces are sufficient, if mobilized, to mount either a limited or full-scale invasion of Iran on relatively short notice without substantial reinforcement from Soviet forces opposite NATO or China."

The Soviets have also been developing contingency plans since 1980 for military campaigns in Iran and the Persian Gulf region. In August 1980, [

] following the Shah's Fall the Soviet General... Staff completely reevaluated contingency plans for Soviet military intervention in Iran. [claimed in 1982 that the USSR maintained detailed contingency plans for a "complete" takeover of Iran. In addition [

] indicates that Moscow has created a theater-level military command for the Southwest Asia region—the Southern Theater of Military Operations

Any of the following developments, in our view, probably would lead the Soviets to consider military intervention in Iran:

- Moscow perceived that the United States was itself preparing to intervene.
- Central power in Iran broke down and the country began to fragment.

" We believe that a full-scale invasion of Iran would require some 20 Soviet divisions and at least a month of preparation. Alternatively, an invasion with a limited objective such as Azerbaijan could be launched by about five to seven divisions after ten to three weeks of preparation. [

Treaty of Friendship Between Persia and the Russian Soviet Federated Socialist Republic, Signed at Moscow, 26 February 1921

Article 5

The two high contracting parties undertake

(1) To prohibit the formation or presence within their respective territories of any organizations or groups or persons, irrespective of the name by which they are known, whose object is to engage in acts of hostility against Persia or Russia, or against the allies of Russia. They will likewise prohibit the formation of armed troops within their respective territories with the aforementioned object.

(2) Not to allow a third party or any organization whatever it be called, which is hostile to the other contracting party, to import or to convey in transit across their countries material which can be used against the other party.

(3) To prevent by all means in their power the presence within their territories or within the territories of their allies of all armies or forces of a third party in cases in which the presence of such forces would be regarded as a menace to the frontiers, interest, or safety of the other contracting party.

Article 6

If a third party should attempt to carry out a policy of usurpation by means of armed intervention in Persia, or such power should desire to use Persian territory as a base of operations against Russia, or if a foreign power should threaten the frontiers of Federal Russia or those of its allies, and if the Persian Government should not be able to put a stop to such menace after having been once called upon to do so by Russia, Russia shall have the right to advance her troops into the Persian interior for the purpose of carrying out the military operations necessary for its defense. Russia undertakes, however, to withdraw her troops from Persian territory as soon as the danger has been removed.

- A leftist faction seized power and appealed to the USSR for help.⁴

Although the USSR has the capability to intervene militarily, the decision to intervene would be an agonizing one. Even a limited intervention into Azerbaijan would face fierce Iranian resistance and major terrain and logistic problems. A US military response would be difficult in this scenario, but Soviet leaders probably would judge there would be a strong likelihood of a US move to occupy parts of southern Iran.

A full-scale invasion would present exponentially greater operational difficulties and risks of a major confrontation with the United States. Such a campaign would be on a scale larger than any the USSR has waged since World War II. In the best of circumstances—limited Iranian resistance and no US intervention—we believe it would take Soviet forces six to 12 weeks to seize the oil-rich Khuzestan region on the Persian Gulf littoral. Soviet leaders would anticipate that a full-scale invasion of Iran would prompt a major US military response [] claimed the Soviets were well aware of the serious risks of such a confrontation.

Afghanistan

Ever since Russia's expansion into Central Asia in the 19th century, Afghanistan had been a buffer between the Russian, then Soviet, domains and South Asia, controlled until 1947 by the British. Moscow's invasion of December 1979 changed Afghanistan's status from that of a buffer to a potential integral part of the Soviet imperium. The invasion not only marked the

⁴ If the Soviets were to intervene, they would be likely to cite Articles 5 and 6 of their 1921 Treaty of Friendship with Iran as legal justification for any intervention, just as they did in 1941. Article 6 states that should a third party intervene militarily in Iran or use Iranian territory as a base of operations against the USSR: "Russia shall have the right to advance her troops into the Persian interior for the purpose of carrying out the military operations necessary for its defense." The Shah unilaterally abrogated Articles 5 and 6 of the treaty in 1959, and the Khomeini regime reiterated the abrogation in November 1979. The Soviets have ignored the Iranian moves and still speak publicly and privately of the entire treaty being in force.

USSR's first occupation of a Middle Eastern country since the withdrawal of Soviet forces from Iran in 1946, but also the first expansion of Soviet control in the region since the reconquest of Central Asia during and after the 1918-21 civil war. In addition, the invasion rescued the only Marxist regime—other than the one in South Yemen—in the Middle East.

The Soviets' occupation of Afghanistan has enhanced their ability to exercise influence beyond Afghan borders. They are in a better position to put military pressure on Iran and Pakistan. Thus far, Moscow has conducted only limited raids from Afghanistan into Pakistan and Iran against Afghan insurgent targets, and Soviet forces in Afghanistan as now constituted do not pose a major military threat to Pakistan or Iran. Moreover, before the Soviets could effectively use their presence in Afghanistan as a staging base for large-scale military operations beyond Afghan borders, they first would have to quell the insurgency and make massive logistic improvements (roads, airfields, fuel lines, communications). Nonetheless, Iran now faces Soviet forces on two flanks, Pakistan has to contend for the first time with a Soviet military presence on its border, and Soviet tactical airpower

has the potential to move some 400 kilometers closer to the Strait of Hormuz.

At the same time, the Soviets' invasion and continuing occupation of Afghanistan has had negative repercussions for them in the region and beyond. The occupation of a Middle Eastern, Islamic, and nonaligned nation has sparked resentment against Moscow from each of these constituencies (most Middle Eastern states are members of all three). Even some of the Soviet Union's friends in the region, such as Syria, Iraq, Algeria, and the PLO, were disillusioned by the invasion, although—for the most part—they have muted their displeasure. Perhaps even more important, the Soviet move has made some regional states more receptive to an increased US military presence in the region.

The Situation Today. Before the Soviets can even contemplate capitalizing on their military presence in Afghanistan, they must first establish control over the countryside, a goal they appear to be little closer to achieving than when their troops first entered the country in December 1979.

The Soviet Withdrawal

The Soviet leadership has made a decision which I will officially announce today. By the end of 1986, six regiments—one tank regiment, two motorized rifle regiments, and three antiaircraft regiments—along with their established equipment and weapons will be returned from Afghanistan to the motherland. [Applause] These units will return to the regions of their permanent deployment in the Soviet Union, and in such a way that all those for whom this may be of interest may be easily convinced of this.

—Speech by Mikhail Gorbachev
in Vladivostok, 28 July 1986

Unit	Location Prior to Withdrawal	Withdrawn?	Description	Status
Tank regiment	Shindand (most tanks deployed elsewhere until early July)	Yes. Ceremony 15 October	✓	✓
Original motorized rifle regiment (MRR) with three battalions of armored personnel carriers	Shindand	No		
New MRR with one battalion of armored personnel carriers (APCs) and two battalions of trucks	Shindand (initial elements arrived by 31 August)	Yes. Ceremony 17 October		
Original MRR with two battalions of APCs	Konduz	No		
New MRR with one battalion of APCs and two battalions of trucks	Konduz (initial elements arrived 29 August)	Yes. Ceremony 17 October		
Air defense regiment	Kabul	Yes. Ceremony 19 October	✓	✓
Air defense regiment	Shindand	Yes. Ceremony 21 October		
Air defense regiment	Konduz	Yes. Ceremony 27 October		✓

People living in this city [Konduz] today bid a ceremonial farewell to the last of the six Soviet regiments being returned home in keeping with a joint decision by the governments of the USSR and Afghanistan.

—Moscow TASS in English, 27 October 1986

Over the past two years, the Soviets have attempted to redress the situation by augmenting their forces in Afghanistan, pursuing a more aggressive strategy against the insurgency, stepping up military pressure on Pakistan and Iran, improving training of Afghan military and political cadres, and replacing the Afghan leader. The USSR has some 116,000 men in Afghanistan, up about 30 percent since 1980. Among the most significant additions have been four more battalions of special-purpose forces, more fixed-wing aircraft (up from 75 to 115), and the deployment of a 2,500-man motorized rifle regiment to the Herat region near the Iranian border. None of the units—totaling about 1,800 troops—that Moscow withdrew from Afghanistan in October was critical to the Soviet war effort (see inset)

The more aggressive Soviet pursuit of the insurgents has led to higher than usual casualties on both sides. Although Soviet forces have fought more effectively, and at least some Afghan forces have shown tentative signs of improvement, the regime remains unable to stand on its own.

In for the Long Haul. The Soviets, despite their minor troop withdrawal in October, appear to be prepared for a protracted struggle in Afghanistan.

Throughout the Soviet party, government, and military there is a general resignation to the fact that the USSR would be in Afghanistan for a "generation or more."

Soviet officials often cite the fledgling Bolshevik regime's long fight against the Central Asian Basmachi resistance as an indicator of Moscow's capacity to persevere against the Afghan insurgents. Gorbachev himself made such a comparison.

The Soviet domestic media have given much more extensive coverage to the war during the past two years, which suggests the leadership is trying to prepare the public for a long struggle.

From Moscow's perspective, the costs of withdrawing are high. It said the consequences of a premature withdrawal would be even

A Reason To Hang Tough

The Soviets probably believe that the international costs of staying in Afghanistan are diminishing with time. Despite the continuing broad support for the annual vote in the UN General Assembly calling for the withdrawal of "foreign" troops from Afghanistan, most countries that condemned the invasion or even imposed sanctions against Moscow have returned to business as usual with the USSR. Oriental Institute department chief Gankovskiy told US Embassy officers in August 1985 that US involvement in Afghanistan is a passing whim of the Reagan administration. Although Gankovskiy probably was exaggerating for effect, and the Soviets are still quite concerned with US and other support for the insurgents, on balance most Soviet policymakers probably would agree with his basic point: US involvement is not likely to last indefinitely because Afghanistan is not of vital interest to the United States—as it is to the USSR.

more catastrophic than those of failing to intervene in 1979. It said that those involved in Afghanistan believe that Soviet leaders would see it as "too shameful" to pull out. The Soviet Union's prestige as a superpower would be tarnished.

The ideological rationale for not leaving is also compelling from a Soviet perspective. A major factor behind the initial invasion was the desire to avert the collapse of a Marxist regime. An article published in *Novoye Vremya* shortly after Soviet forces moved in asserted that: "To refuse to use the potential which the socialist states possess [to aid the Afghan Marxists] would mean, in fact, avoiding an internationalist duty." The Soviet Ambassador to France, in a speech in April 1980, said the Soviets could not "permit the transformation of Afghanistan into a new Chile," where the Marxist regime of Salvador Allende was toppled in 1973 and the Soviets were powerless to

prevent it. The Soviets probably fear that allowing the Marxist government in Afghanistan to collapse would set a dangerous precedent and raise questions about their willingness to support Marxist regimes elsewhere.

Despite the reasons to stay, some Soviet officials have indicated to Western and Pakistani sources that the Kremlin would seriously consider withdrawing its forces if reasonable terms could be worked out that preserve the nature of the Afghan regime. Some of these officials have actually claimed that a decision to withdraw has already been made. They may have been referring to Gorbachev's July announcement of a limited withdrawal. We doubt that a decision on a full withdrawal has already been made.

The conflicting signals coming from the Soviets might simply be a smokescreen to ease international pressure on the USSR to withdraw. []

[] They could also be a reflection of a belief that the more aggressive strategy against the insurgents, the replacement of former Afghan leader Babrak Karmal with Najib, and Moscow's more flexible approach to the UN "proximity talks" with Pakistan will eventually lead to a resolution of the Afghan problem that would permit a withdrawal of most Soviet forces. If so, the Soviets are likely to stick with this policy course, which would probably involve:

- More aggressive attempts to eradicate rebel bases of support within the country and across the border in Pakistan and Iran.
- Intensive training of Afghan military and political cadres, coupled with a broader campaign to win domestic acceptance of the Najib regime.
- Diplomatic and subversive efforts to weaken outside support for the insurgents (especially in Pakistan) and widen international acceptance of the Marxist regime.

Skillful implementation of such a policy could, in our view, lay the groundwork for the Soviets to remove a substantial part of their forces within two to three years, provided that Pakistan could be convinced to end its support for the rebels—an exceedingly difficult task.

What Moscow evidently hopes to achieve in Afghanistan, [] is the establishment of a regime as subservient and secure as the one in Mongolia. If the Soviets eventually succeed, they will have extended the borders of the Soviet imperium and enhanced their ability to exercise influence in South and Southwest Asia. For at least the next few years, however,

Afghanistan is likely to remain a major headache for the Kremlin, whether or not the Soviets withdraw their forces.

Turkey

Strategically, Turkey is the most important country in the Middle East from Moscow's perspective. It is the only state in the region that is a NATO member and that grants US forces permanent basing rights. The Turkish armed forces are by far the largest in the Middle East, and Turkey controls the choke point to the Black Sea. A recent Soviet study of the Middle East claims that the United States has given Turkey:

the role of a "barrier," isolating the Soviet Union from territorial contiguity with the countries of the Arab East and from direct access to them, [and] the role of NATO's "guard," controlling the gate leading from the Black to the Mediterranean Sea.

Undermining the Link to Washington. Moscow has attempted to take advantage of Ankara's dissatisfaction with the level of US support since the 1960s. Turkey's anger over Washington's willingness to bargain away US missiles based on Turkish soil—without consulting Ankara—for the Soviet missiles Khrushchev placed in Cuba in 1962 and over US condemnation of Turkish moves during the crisis in Cyprus in 1964 led to the first warming of Soviet-Turkish relations in the postwar period. Moscow similarly capitalized on the US criticism of Turkey's military intervention in Cyprus in 1974 and the resulting US embargo of arms to Turkey. Turkish-Greek disputes over Cyprus and sovereignty in the Aegean also provide opportunities for the Soviets, but Moscow is constrained from moving too blatantly in using these disputes to woo Turkey away from NATO because of Soviet interests in cultivating Greece.

Soviet concern about Turkey's security ties to the United States has grown since the late 1970s. When Washington and Ankara were renegotiating their Defense and Economic Cooperation Agreement in 1979, *Krasnaya Zvezda* warned that in the event of another war: "Turkey, where a substantial number of

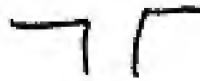
US military installations are located, could undergo the tragedy of Hiroshima."

More recently, the Soviets have issued the same type of warning to Turkey in their media over Ankara's alleged desire to participate in research under the US "Strategic Defense Initiative." Moscow also has shown concern over Turkey's potential usefulness to US military efforts in the Middle East. In December 1983 Vasilii Safronchuk, then chief of the Soviet Foreign Ministry's Middle East Department, criticized the reported establishment of US "Rapid Deployment Force" bases in Turkey during an interview with a Turkish newspaper.

Current Status of Relations. Despite the harsh Soviet criticism of Turkey's security ties to the United States, Moscow—by and large—has succeeded in maintaining a stable, if not always cordial, relationship with the various regimes in Ankara during the past two decades. The height of Soviet-Turkish cooperation came in 1978 with the signing of a "Political Document on Good Neighborly and Friendly Cooperation." The military takeover in Ankara two years later led to a cooling of relations that lasted until 1984.

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Moscow and the Turkish Straits



The Bosphorus Strait, as viewed from the Topkapı Palace, Istanbul

A Soviet merchant ship passes under the Bosphorus Bridge, just north of Istanbul

Control over the Turkish Straits has been an objective of Russian rulers since Tsarist Russia became a Black Sea power in the late 18th century (see figure 8). Even after the Russians won the right from the Ottoman Turks in 1774 to navigate the Black Sea and pass through the Straits, Russia's southern fleet was confined to the Black Sea for all but two brief periods until the Treaty of Lausanne in 1921. Great Britain and France awarded Russia the Straits and Istanbul on paper in a secret treaty in 1913, and the USSR asked for the same in talks with Germany in 1940 to divide up Europe and the Middle East. Stalin made a final bid for control of the Straits at the end of World War II through appeals to his Allied partners for revision of the Montreux Convention of 1936 and, when those failed, through direct pressure on Turkey—also unsuccessful.

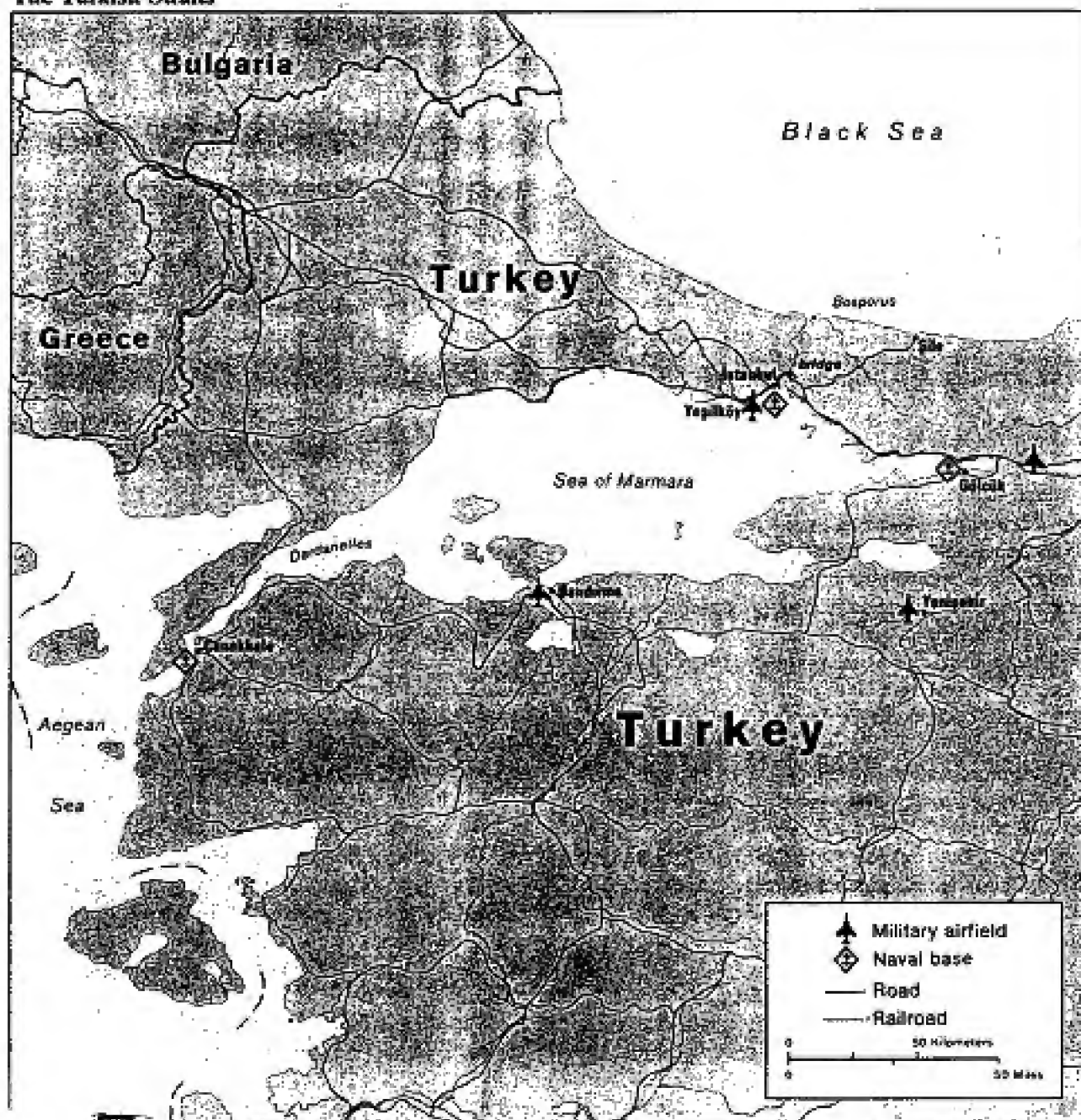
Turkish control of the Straits places restrictions on the movement of Soviet warships in and out of the Black Sea in peacetime and could bottle up Soviet naval and merchant ships in times of tensions or hostilities. The Montreux Convention requires that the Soviets provide the Turks eight days' notice before sending any warship over 10,000 tons through

the Straits, and only one may transit at a time. No Soviet aircraft carrier or submarine may transit, except, in the case of the latter, for repairs. Soviet civilian, but not military, aircraft are allowed to overfly the Straits.

Despite these restrictions, Moscow has managed to stretch and sometimes circumvent the Convention's provisions. For example, since the late 1960s the Soviets have made it a practice to declare transits of warships, whether or not they intend to use them. This allows them to augment their Mediterranean Flotilla more quickly in times of crisis. Moscow also has contended—and the Turks have accepted—that its Kiev-class aircraft carriers are actually antisubmarine warfare cruisers, thus enabling it to circumvent the ban on carrier transits. The Soviets also have flown military transport aircraft—claiming they were civilian flights—over Turkey to resupply clients in the Middle East and Africa. The Turks have reluctantly allowed such flights on a limited basis, possibly because of concern about Moscow's capability to restrict Turkish flights to Western Europe across Bulgaria.

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Figure 8
The Turkish Straits



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Former Soviet Premier Tikhonov's December 1984 visit to Ankara—the first by a Soviet leader in almost a decade—put the relationship back on a more cooperative course, although tensions remain. Soviet media commentary on the strictly bilateral aspects of the relationship has been more positive since the Tikhonov visit, as reflected most recently by their favorable coverage of Prime Minister Ozal's July 1986 visit to the USSR.

The economic sphere historically has been the most productive area of Soviet-Turkish relations. The focus of Tikhonov's 1984 trip was the signing of a trade agreement for the 1986-90 period that sets a target of \$6 billion in total trade between the two countries. Bilateral trade increased by 20 percent in 1985, according to official Soviet trade statistics.

Moscow has extended Ankara more credits—\$3.4 billion since 1958—than any other non-Communist country. To date, Turkey has drawn only about \$860 million of this amount, but it has used the aid to develop some important sectors of its economy. Soviet assistance has been crucial to construction of the Iskenderun iron and steel works (the largest in Turkey), the Seydisehir aluminum smelting plant, and an oil refinery in Izmir. The Soviets have approximately 1,500 economic advisers and technicians working at

these and other facilities in Turkey. In February the two sides signed a 25-year natural gas agreement that calls for the USSR to provide Turkey a peak of 4 billion cubic meters annually by 1992. This would equal almost 90 percent of Turkey's natural gas needs and about 5 percent of its energy needs.

Soviet Assets for Subversion. Turkish authorities ~~contend~~ contend that Moscow was behind much of the ~~leftwing~~ terrorism that rocked Turkey in the middle and late 1970s.

Turkish officials continue to claim that the USSR and its allies are supporting the Kurdish insurgency in eastern Turkey.

We believe that Moscow maintains contacts with various Turkish leftwing and Kurdish extremist groups and has provided funding and probably some small-arms support through intermediaries.

It is also claimed that Fatah had given guerrilla training to a small group of Turkish Kurds and

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[there is also evidence that the Bulgarians have in the past smuggled small arms into Turkey, almost certainly with Moscow's acquiescence if not support. Although profitmaking is a motive and many of the arms apparently fall into the hands of rightwing terrorists, we believe the Soviets hope—at little risk or cost—to fuel opposition to the Turkish Government.

Soviet support, however, appears to have been relatively low level. Moscow, pursuing its traditional dual-track policy, apparently wants to be in a position to stoke the fires of Turkish internal unrest—which is indigenously generated—without damaging its state-to-state ties to the Turkish Government and provoking a confrontation with a NATO member.

The evidence of Soviet support for the Turkish Communist Party (TKP), in contrast to the circumstantial evidence of support for terrorist groups, is unquestionable. The USSR is the prime financial backer of the TKP, which follows the Moscow party line. The party, which has been illegal in Turkey since 1925, has its headquarters in East Berlin. With Soviet funding and technical assistance, the TKP operates two clandestine radio stations ("Our Radio" and "Voice of the Turkish Communist Party") out of East Germany that broadcast in Turkish to Turkey and Western Europe. The TKP, however, is a bit player in Turkey and has only a tiny following and a minimal ability to influence events there.

Continuing the Dual-Track Policy. The long-term nature of Turkish internal unrest, West European criticism of human rights abuses in Turkey, the rivalry between Turkey and Greece, the Cyprus problem, and Turkish doubts about the intensity of the US commitment to Turkey promise to continue to provide the Soviets with openings both to exploit Turkey's weaknesses and to try to woo it away from the Western alliance. With the success the military regime and the subsequent civilian government of Prime Minister Ozal have had in stabilizing the country

since 1980, the Soviets are likely to put more emphasis on improving state-to-state ties and less on subversion during the next five years, unless the internal situation suddenly deteriorates. They will continue to cultivate their clandestine assets, both as a hedge to the future and a reminder to Ankara that they can cause trouble. The Soviets almost certainly recognize, however, that Turkey continues to be a bulwark of NATO on the USSR's southern flank, and they are likely to act with appropriate restraint.

Totaling Up the Balance Sheet

This survey of Soviet policy has shown that the USSR's position in the Middle East today is strong in the northern tier and much less strong in the Arab-Israeli theater. Whereas Moscow has the edge over Washington in all of the northern tier except Turkey, the United States retains greater influence than the Soviet Union in most of the Levant, the Arabian Peninsula, and North Africa.

Moscow's influence in Syria, as well as in Libya and South Yemen, has not balanced its loss of influence in Egypt. The relationship with Syria—the USSR's most important in the Arab world—ensures Moscow a role in the region's central issue, the Arab-Israeli conflict. However, the Soviet position in the Arab-Israeli theater will remain inferior to that of the United States as long as Cairo maintains close ties to Washington, and it seems likely that—barring a major political upheaval in Egypt—those ties will continue to be strong during the rest of the 1980s.

The USSR is recognized as an important actor by most of the Arabs, who value its support for a Palestinian state. The pro-US Arab states also see relations, or at least contacts, with the Soviet Union as a useful tool to ensure that Washington does not take them for granted. For most of the Arabs, however, the USSR's atheistic ideology, aggressive penetration efforts, and invasion of Afghanistan are ample

reason to keep a certain distance. Even in the pro-Soviet states—the PDRY excepted—local Communist parties are either proscribed or thoroughly tamed, and the Soviets have shown little ability to sway the internal political order.

In the northern tier, the USSR has been able to exert major political influence only in Afghanistan. Despite decades of trying, the Soviets have had no success in the postwar period in steering political events inside Turkey and Iran. The Communist parties of both countries are illegal and have been—with the exception of the Tudeh in the 1940s—bit players in Turkish and Iranian politics.

Military power remains Moscow's strongest card in the region. The military forces the Soviets have deployed in the southern USSR opposite the Middle East, their naval and air operations in the Middle East, their willingness to use force in Afghanistan and deploy their own air defense forces in Syria, and their provision of large amounts of modern weapons to their clients all indicate that the USSR will be a force to be reckoned with in the Middle East for years to come.

Beyond the northern tier, however, the Soviets still cannot match the power-projection capabilities of the United States and its NATO allies, and, in fact, US improvements in this field since the late 1970s threaten to leave Moscow even further behind. The Soviet Union lacks the aircraft carriers or access to regional airbases necessary to operate fighter aircraft beyond the bordering regions of the southern USSR. Without fighter cover, the Soviets would not be able to mount a contested deployment of ground forces to the region or protect their Mediterranean Flotilla and Indian Ocean Squadron from Western carrier-based aircraft. The Soviets are working to remedy these deficiencies by developing full-size aircraft carriers and the capabilities for long-distance air refueling for their fighters. They are likely, however, to have only one of these new carriers by 1990, and they are still years away from perfecting long-distance fighter refueling.

Economically, the USSR continues to lag far behind the West, Japan, and now even increasingly active South Korea in the Middle East. For Moscow's

clients or countries such as Iraq, which are temporarily strapped for the hard currency to pay for Western goods, Soviet economic aid and bilateral trade are important. Even countries as close to the Soviets as South Yemen and Syria, however, have been dissatisfied with the level and quality of Soviet aid and have been looking to the West and Japan to provide the consumer goods, technology, hard currency, and know-how that the Soviet Union generally lacks. Thus, the gap between Soviet and Western/Japanese/South Korean involvement in the Middle East is likely to widen.

The Soviets still have trouble turning their military strength into commensurate political influence in the Middle East. They remain frozen out of discussions to resolve the Arab-Israeli dispute. Obtaining a voice in the peace process—which would signify acceptance by the United States and the regional states involved of a major Soviet political role in the Middle East—continues to be one of Moscow's major goals (see appendix B). The USSR's prospects of realizing that goal in the next five years are not good.

Impact of Future Developments

We believe the USSR's primary policy goals in the Middle East during the rest of the 1980s are likely to be:

- Consolidating control in Afghanistan.
- Blocking any US-sponsored Arab-Israeli peace settlement that leaves Moscow out and, optimally, regaining a Soviet voice in the peace process.
- Unifying the Arabs into a pro-Soviet front by ending the isolation of Moscow's Arab clients: Syria, Libya, and South Yemen.
- Stemming the drift of Algeria and Iraq toward lesser dependence on the USSR and closer ties to the United States.
- Expanding Soviet influence in Moscow's key Middle Eastern targets: Egypt and Iran.
- Eroding Turkey's security ties to Washington.

We have assessed Moscow's prospects for achieving these tasks and have concluded that in most cases they are not promising. Gorbachev's best chances for success seem to be in preventing a US-sponsored Arab-Israeli settlement, expanding influence in Egypt and Iran, and, possibly, consolidating control in Afghanistan. What remains to be examined are some developments that would have a major impact on Soviet policy in the region—as well as important implications for the United States—and prompt us to alter our assessments.

Positive Developments From Moscow's Perspective

Rapprochement Between Syria and Iraq

The Soviets have attempted for years to get Assad and Saddam to bury their differences, but with no success.

It flatly ruled out a Syrian-Iraqi reconciliation so long as both Assad and Saddam remain in power. A rapprochement between the two would be likely to strengthen the hardline Arabs vis-a-vis Israel and bolster opposition to a US-sponsored settlement of the Arab-Israeli question. The Soviets, too, would hope that Syria could draw Iraq closer to the USSR, although both Damascus and Baghdad would remain fiercely protective of their independence from Moscow.

Rapprochement Between Syria and Arafat

The Soviets have tried even harder to bring Assad and Arafat together—also to no avail. This development would almost certainly end US hopes of achieving resolution of the Palestinian question without Syrian or Soviet participation. It also would be likely to ensure that neither Jordan nor Egypt dominated the PLO. An Assad-Arafat rapprochement probably would lead to closer Soviet-PLO ties and might facilitate the Soviet proposal for an international conference on the Arab-Israeli question. That proposal stands no chance of going anywhere as long as Syria, Moscow's closest Arab ally, and the PLO, the representative of the people whose future is being negotiated, remain at odds.

Rapprochement Between Syria and Egypt

A Syrian-Egyptian detente based on anti-Israeli, anti-US policies would give more of a boost to Soviet fortunes in the Middle East than any other single development. Such a reconciliation, although unlikely any time soon, probably would lead to a significant improvement in Soviet ties to Egypt. It would not only end US hopes of achieving a settlement of the Palestinian question without Syrian and Soviet participation but also probably would lead to the unraveling of the Egyptian-Israeli peace settlement and revive the two-front threat to Israel.

Replacement of the Mubarak Regime in Egypt With a Neutral Regime

Such a development probably would lead to a sharp reduction or possibly to a cessation of US-Egyptian military cooperation and might result in Egypt's abandonment of the Camp David accords. Either step would be a major windfall for the Soviets, whether or not they were able to replace US influence in Cairo with their own. Moscow would step up its efforts toward that end, possibly offering to settle Egypt's military debt to the USSR on favorable terms and provide Cairo with major new weapon systems. The Soviets probably would encourage Syria and Libya to adopt a positive line toward the new regime in Cairo, hoping this would ease the way to better Soviet-Egyptian relations. If Damascus and Tripoli balked, however, Moscow would not be likely to be deterred from courting the new regime. The benefits from increased Soviet influence in Egypt probably would outweigh, in Soviet eyes, the costs of incurring Syrian and Libyan wrath.

Decision by Pakistan To End Support for Afghan Rebels

This would deal a shattering blow to the rebels. Although the insurgency would be likely to continue for at least a few more years, the Soviets probably could quickly ensure that the rebels would be no more than a nuisance. Moscow would be likely to bring the bulk of its forces home, while leaving a sizable contingent in Afghanistan. Iran probably would sharply curtail its support for the rebels, not wanting to bear the brunt of Soviet wrath alone.

Severe Instability in Turkey

Moscow probably would attempt via Bulgaria to resume funneling small arms to Turkish leftists, step up financial and propaganda support, and criticize the Turkish Government's efforts to control such instability and US support for Ankara's efforts. The Soviets, however, would act with prudence to avoid sparking a major US response.

Developments That Could Have a Mixed Impact on Soviet Interests**A New Syrian-Israeli War**

This would be a wild card for Moscow. Washington's relations with the Arabs would stand to suffer unless they viewed US pressure on Israel as responsible for ending the fighting. The war would offer the Soviets the opportunity to bolster their stock with Syria and the Arabs as a whole by providing timely military resupply. And, no matter what their actual behavior during the war, the Soviets would move as they have after past wars to restock the Arab military inventory and increase Arab dependence on Soviet weapons. The Syrians might even agree, as they did after their defeat in Lebanon in 1982, to station Soviet combat forces in Syria.

At the same time, a Syrian-Israeli war would entail major risks for the USSR—the most serious being a US-Soviet military confrontation, something Moscow has always sought to avoid. Slightly less serious, but potentially more humiliating, would be a clash between Soviet forces sent to Syria and Israeli forces. The Soviets probably have a healthy respect for Israeli military prowess. []

[]

Moscow would also stand to lose if the Arabs perceived Soviet support to be insufficient, as they did in the 1967 and 1982 wars. Quick resupply of arms to the Arabs after the danger had passed rescued the Soviet position in those cases, but there is no guarantee that this strategy would work again. Moreover,

there is the risk that, should the United States prove successful in bringing about a cease-fire, the Syrians might come to view cooperation with Washington—as the Egyptians did after the 1973 war—as the best means of obtaining what they want from Israel.

An End to the War Between Iran and Iraq

The Soviets consistently have called for an end to the war, but they would be likely to view its cessation with mixed feelings. On the one hand, they probably would welcome an end to a major and unpredictable war on their border that has already had some favorable repercussions for the United States. A negotiated settlement would:

- Reduce the significance of one of the prime irritants in Soviet-Iranian relations—Moscow's weapon sales to Baghdad.
- Probably make the Persian Gulf states less nervous about Iranian expansionism, decreasing their need and willingness to cooperate militarily with the United States.
- Possibly improve prospects for an Iraqi-Syrian rapprochement.

An end to the war, however, would also carry potential liabilities for the Kremlin:

- We believe Iraq, without as acute a need for Soviet weaponry, would accelerate its diversification of weapon suppliers.
- Iraq probably would further improve its relations with the United States as it looked to rebuild its economy after the war.
- Although a dramatic improvement in Iranian ties to Washington is only a remote possibility, Moscow might worry that the absence of the unifying factor of the war could weaken the present fundamentalist regime and bring in more pragmatic clerics, who might not be as averse to dealing with the United States.
- Iran would have a freer hand to increase aid to Afghan insurgents.

would have to worry that the new leaders could turn toward the West, which has the economic wherewithal to rebuild the war-damaged Iranian economy. A victorious Iran would undermine Soviet influence in Baghdad and probably make the Khomeini regime even less susceptible to Soviet inroads or pressure. Moreover, the Kremlin would not want to see an anti-Soviet Iranian regime, whose Islamic fundamentalism might potentially attract adherents among the USSR's own Muslims, spreading its influence beyond Iranian borders

A Major Increase in Outside Support for the Afghan Rebels

This would compel the Soviets either to abandon their current strategy of shifting the burden of the fighting to the Afghan military or to risk the Marxist regime's collapse, which we believe they are not prepared to accept. A major expansion of Soviet involvement in the war against the rebels—possibly including increased cross-border raids into Pakistan—would carry significant political and economic costs. Moscow probably would come under heavy criticism from West European, Middle Eastern, and Third World governments. The increased Soviet involvement would especially complicate Soviet relations with China and India, not to mention the further chill it would have on US-Soviet relations

US-Sponsored Talks Between Israel and a Jordanian-Palestinian Delegation

Although such talks today appear unlikely following the split between King Hussein and PLO leader Arafat, the two leaders could quickly reconcile. US success in working out a settlement of the Palestinian question without Soviet participation would be the most significant blow to Moscow's position in the Middle East since its loss of Egypt. The Kremlin, in our view, would go to great lengths to block the achievement of such a settlement. Soviet efforts would center on backing Syria's moves to intimidate its neighbors against reaching an agreement. Moscow probably would even provide military support for Syrian saber rattling aimed at Jordan or Israel, but the Soviets would advise Damascus against moves

Negative Developments From the Kremlin's Perspective

A Marked Expansion of the War Between Iran and Iraq

The greatest risk in this scenario is that a major threat to the flow of oil out of the Persian Gulf could prompt US military intervention. Such a move—whether protection for convoys of oil tankers or, in the most extreme case, occupation of Iranian territory—would pose significant difficulties for the Soviets. Beyond the immediate problem of deciding what kind of military response they would have to make, the Soviets would face the longer term prospect of an expanded US military presence in the Persian Gulf region. The conservative Gulf states almost certainly would look to Washington for protection

The Soviets, in our view, also would not want either Iran or Iraq to emerge as a clear victor. Moscow has long preferred a relative balance between the two countries. If either state gained predominance, it would make it more difficult for the USSR to exert influence in the Persian Gulf region. A victorious Saddam would almost certainly be apt to act even more independently of Moscow than he does today. A defeated Iran would look for outside help. It might seek Soviet assistance, but, if the Khomeini regime collapsed as a result of losing the war, the Soviets

that would provoke a full-scale war with Israel or push Amman toward closer security cooperation with Washington. If these Soviet and Syrian efforts failed to prevent a settlement from being reached, Moscow almost certainly would work to subvert the accord. Even if the accord held together, the Soviets would not be likely to drop their opposition and recognize a US fait accompli during the next five years.

Death or Ouster of Assad

Soviet-Syrian relations have been close for over 30 years, and Moscow should be able to maintain its influence in Damascus after Assad's departure, provided the Ba'th Party remains in power. Any Syrian regime would have as its top priority the confrontation with Israel, for which Soviet military support is all but indispensable. Assad's successor probably would come from the military and therefore would be all the more likely to value ties to the USSR.

Assad, however, has brought 16 years of stability to a country that was previously unstable, and the Soviets would fear that his departure might lead to more instability. Assad's regime is based on the small Alawi minority, which might not be able to continue its dominance without his commanding presence. A contentious struggle for power in Syria or—less likely—the accession to power of a group that is not favorably disposed toward the USSR would seriously jeopardize Moscow's long-term investment in Syria and, thereby, the overall Soviet position in the Middle East.

It is scarce on whom among the current regime the Soviets regard as their favorite to succeed Assad. They have had long experience, however, dealing with the most likely candidates—Director of Military Intelligence Ali Duba, Chief of Air Force Intelligence Muhammad Khuli, Defense Minister Talas, Chief of Staff Shihabi, and Vice President Khaddam—and probably could adjust quickly to any of them as head of Syria.

The one current Syrian leader Moscow probably would not want to see succeed Assad is his brother, Vice President Rif 'at Assad. Soviet officials have often noted their distrust of Rif 'at.

Since the late 1970s, he has adopted a thinly veiled anti-Soviet posture, and Moscow is suspicious of his extensive Western contacts.

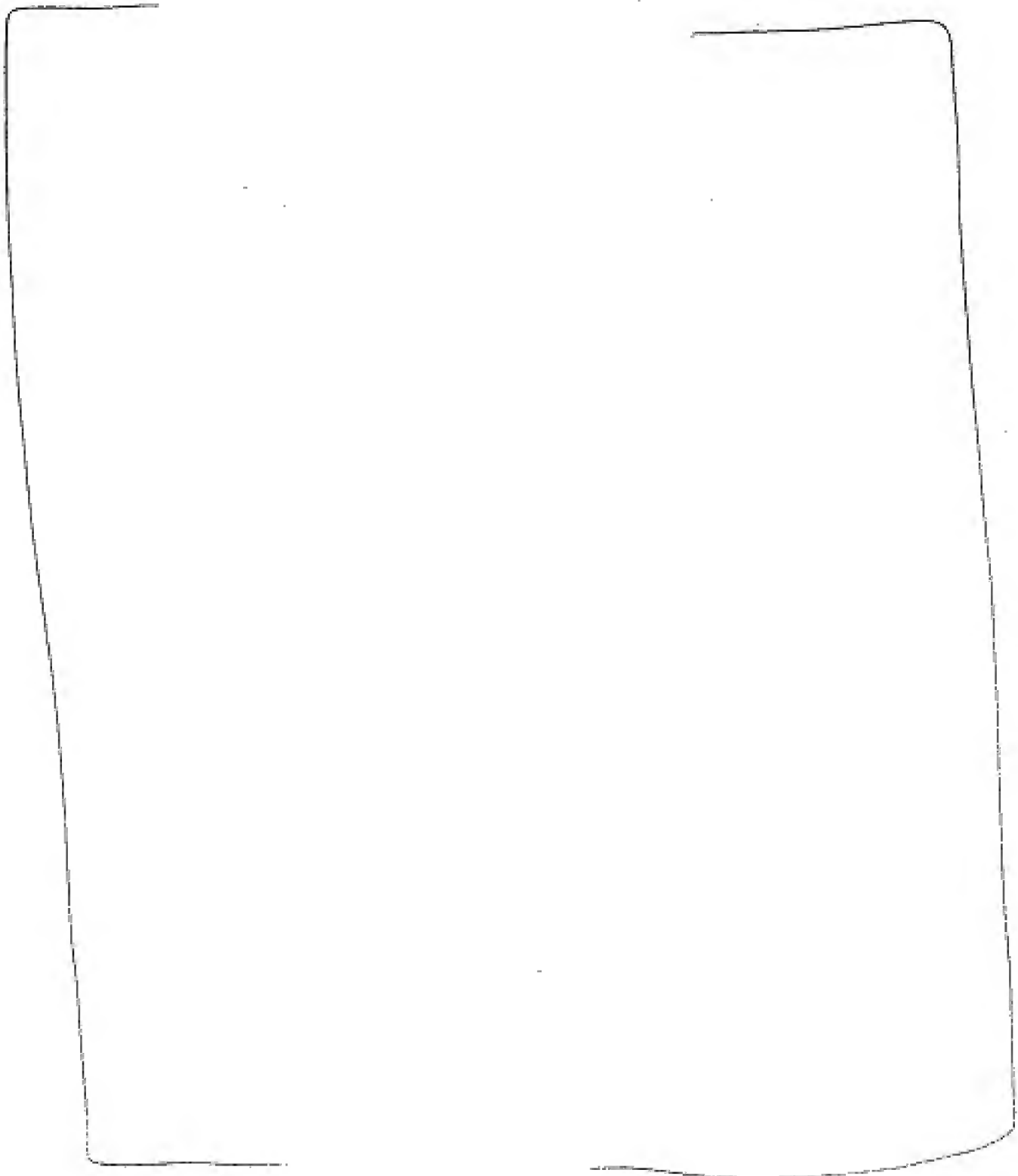
around the same time that the Soviets were pressuring Assad not to allow Rif 'at to assume any significant post because they cannot work with him. At a minimum, Rif 'at's accession to power would add a major degree of uncertainty to the Soviet-Syrian relationship.

Death or Ouster of Qadhafi

Moscow's relationship with Libya, more than any other in the Middle East, is dependent on one man. Qadhafi has revolutionized almost every aspect of Libyan Government and society and refashioned them in his own unique style. Without him, the odds would be against this system surviving for long in anything like its current form. Whether the Soviet position in Libya would survive the upheaval likely to follow Qadhafi's departure is an open question. As Soviet officials have privately acknowledged:

As with Syria, the Soviets almost certainly would not be able to sway a Libyan succession, but the long-standing arms relationship will give whatever regime

~~Secret~~



~~Secret~~

that comes to power in Tripoli reason to pause before reorienting its policy away from Moscow. For that reason, the Soviets probably would hope that a military man replaces Qadhafi.

The Soviet-Libyan relationship might survive the succession relatively well should Qadhafi's de facto second in command, Major Jallud, assume the reins of power and hold the country together (see inset). The Soviets have dealt with Jallud longer and more extensively than with any other Libyan leader.

The Soviets preferred Jallud because he was more moderate and predictable than Qadhafi. By 1982 the Soviets no longer put such high hopes on Jallud, but they believed that his accession to power would nonetheless be welcomed by Moscow.

He would prefer Jallud as a successor.

A Major Drop in Soviet Oil Production

The slight increase in Soviet domestic oil production in 1986, which reversed a two-year decline, all but assures that the USSR will not become a net importer of oil during the next five years. The Soviets, however, have already increased their purchases of Middle Eastern oil in recent years (see table 5) and are likely to obtain even larger amounts throughout the rest of the 1980s.¹²

Should the USSR's domestic oil production drop off much more sharply than we anticipate, the Soviets might become major consumers of Middle Eastern oil during the next five years. Such a development would give the Middle East even greater importance for Moscow and put the USSR in competition with the West and Japan for Middle Eastern oil.

¹² In most cases, the Soviets accept the oil as payment for arms and resell it to their oil customer.

The Soviets would face major problems in coping not only with decreasing hard currency earnings from oil sales—currently about 35 percent of total Soviet annual hard currency earnings—but also in coming up with the countertrade or, as a last resort, hard currency to pay for oil imports. Moscow probably would attempt to increase arms sales to OPEC countries to finance the oil, but those countries can only absorb so many weapons, and their hard currency reserves have dropped markedly since the early 1986 decline in the world price of oil. There are few other commodities the Soviets could offer to trade for the oil, but they might attempt to expand their participation in economic development projects in the Middle East, accepting oil as payment for their services.

The USSR would have added incentive to improve relations with Iran and Saudi Arabia—two of the countries that have the reserve capacity for meeting the oil needs of the Soviets and their East European allies.¹³ The Soviets might decide to adopt a more conciliatory policy toward Iran even while Khomeini remained in power, and they would be likely to work harder for normalized relations with Saudi Arabia. This need for oil would not force the Soviets to forgo opportunities to increase their influence in those countries and erode that of the United States. But Moscow would be likely to pursue those opportunities more cautiously while adopting a friendly posture toward the Iranian and Saudi Governments.

We do not believe the Soviets' need for oil would prompt them to try to seize Middle Eastern supplies during the next five years. Even if such considerations as the military and economic costs involved in conquering Iran, for example, and the risks of sparking a war with the United States are put aside, the cost of ruling the country would far outweigh that of buying

¹³ The Soviet oil production drop would hit Moscow's East European allies especially hard. All but Romania are overwhelmingly dependent on Soviet supplies. Politically, the Soviets could not allow their allies' economies to collapse and would have to keep providing some oil.

Table 5
Soviet Purchases of
Middle Eastern Crude Oil, 1980-85 *

Thousand b/d

	1980	1981	1982	1983	1984	1985
Libya	34	34	119	118	125	96
Iraq	36	0	2	46	77	65
Algeria	0	0	0	0	15	29
Saudi Arabia *	0	0	0	21	38	48
Iran	0	45	18	44	25	15
Syria	5	6	14	15	10	9
Oman	0	0	0	0	1	2
Total	75	85	153	244	291	264

* Derived from official Soviet trade statistics.

* Saudi Arabia sells crude to the USSR on behalf of Iraq.

the oil. Such a move would be a military-strategic gain, but it could not be justified nor prompted by economic need.

Impact of Trends in Overall US-Soviet Relations

We believe the USSR will continue to pursue its longstanding strategic interests in the Middle East regardless of the state of US-Soviet relations. The central position the US-Soviet rivalry holds in Moscow's policy toward the Middle East, however, means that improvement or deterioration of the overall relationship between Moscow and Washington can have major consequences for that policy.

Improvement

A revival of US-Soviet detente will not necessarily prompt the Kremlin to moderate its behavior in the Middle East because Moscow highly values potential gains in the region for their own sake and sees them as furthering its position in the superpower competition with Washington. Detente did not prevent the Soviets during the October 1973 war from mounting a massive arms resupply effort for their Arab allies and threatening to intervene unilaterally in the closing moment.

The most direct impact a US-Soviet detente is likely to have on Moscow's policy in the Middle East is in prompting the Soviets to intensify their efforts to be included in regional negotiations. The USSR almost certainly would center its efforts on convincing the United States to return to a joint US-Soviet initiative to resolve the Arab-Israeli dispute, preferably an international conference chaired by Washington and Moscow. To obtain US approval for such a course, the Soviets—under these conditions—might be willing to reestablish relations with Israel and attempt to convince Syria and the PLO to attend such a conference.

In an atmosphere of detente, the Soviets might give greater consideration to the impact their arms sales could have on regional stability. The USSR refrained from giving the Egyptians all they wanted in the early 1970s and might do so again with its current regional arms clients if it believed that the sale of a particular weapons system risked sparking an Arab-Israeli clash that could damage US-Soviet relations and if it believed Washington would act with similar restraint. The Soviets probably would be less worried about US-Soviet tensions over the Middle East than about the effect this might have on other, more important, areas of the bilateral relationship. They would want to avoid, for instance, a repeat of the effect their invasion of Afghanistan in 1979 had on East-West relations. It tilted the balance in Congress against ratification of the SALT II Treaty and steered NATO's determination to proceed with the deployment of intermediate-range missiles in Western Europe.

Moscow also would be likely to refloat a host of proposals designed to limit superpower arms sales and military deployments in the region—such as the Brezhnev Proposal of 1980 banning military bases in the Persian Gulf region, the plan to limit naval deployments in the Mediterranean Sea and Indian Ocean, and schemes for nuclear- and chemical-weapons-free zones. Of course, Moscow would design such proposals to have only minimal restrictions on its own military activities, but it might agree to some limitations if an overall agreement hindered US ability to deploy military power in the Middle East.

Deterioration

Soviet behavior in the Middle East since the decline of detente in the mid-1970s—including the invasion of Afghanistan, deployment of Soviet air defense forces to Syria, sale of increasingly more lethal arms to regional clients, and constant fanning of anti-US and anti-Israeli sentiment among Middle Eastern states—gives an indication of the types of actions Moscow could take if US-Soviet relations deteriorate further. The Soviets, for example, might press harder for Syria, Libya, and South Yemen to grant permanent naval and air bases to Soviet forces. They also might provide those countries and other regional clients with the latest and longest range versions of Soviet weapons complete with all of the most sophisticated electronics they often withhold. In addition, they could urge OPEC states to embargo oil sales to the West and step up aid to insurgents and opposition groups in pro-US countries.

Soviet behavior would still be constrained by objective factors, such as the risks of a major Arab-Israeli war, Israel's military superiority, and US advantages over the USSR in deploying forces to most of the region. In a period of deteriorating US-Soviet relations, however, Moscow almost certainly would be more apt to exploit rather than work to control regional crises.

Appendix A

Overview of Soviet Involvement in the Middle East Before 1970

When the history of Soviet and US involvement in the Middle East is compared, it is easy to see why the Soviets often view the Americans as upstarts. The United States has been directly involved in the Middle East for roughly half a century; the USSR and its Russian predecessors for more than a millenium. The first "Russian" involvement in the area occurred in 860, when a Kievan Rus army briefly laid seige to Constantinople, the capital of the Byzantine Empire, which encompassed much of what is today the Middle East. "Russia" and "Turkey" battled each other many more times over the centuries. From 1676 to 1914, alone, the Russian and Ottoman Empires fought 11 wars. During the same period, the Tsars also fought three wars with Iran.

Beginning in the late 18th century, with the decline of both the Ottoman and Persian realms, Great Britain became Russia's main rival for influence in the Middle East. The Russians and the British, in seeking to expand and protect their empires, vied for predominant influence in Afghanistan, Iran, and the Ottoman Empire, which held nominal sway over the Levant, North Africa, and the western rim of the Arabian peninsula. The growing power of Germany in both Europe and the Middle East prompted Russia and Britain to cooperate in the region during the last decade of Tsarist rule, but the traditional rivalry reemerged after the Bolsheviks took power in 1917.

Despite the Bolsheviks' revolutionary rhetoric about igniting the colonial East against its "imperialist oppressors," the USSR under Lenin and Stalin exerted influence only in the northern tier borderlands. Khrushchev claims in his memoirs that Stalin considered the Arab world a British sphere of influence. Stalin believed that the USSR was too weak militarily in the region to challenge British hegemony, and indeed it was.

World War II, however, created new opportunities. As the captured German documents from Nazi-Soviet negotiations of November 1940 indicate, Moscow hoped to supplant Great Britain as the predominant power in the Middle East. At the war's end, Stalin used the Soviet Army's occupation of northern Iran to establish "people's republics" in the Kurdish and Azeri regions. He also attempted through direct threats to obtain from Turkey a military base on the Straits and the return to the Soviet Union of two provinces in eastern Turkey that the Bolsheviks had ceded in 1921. Strong resistance by the Iranian and Turkish Governments and by the United States and Britain foiled each attempt and prompted Stalin to return to a conservative strategy in the region.

The most significant legacy of World War II for the Middle East was the weakening of the main colonial powers of the region, Britain and France. This development eventually led to the emergence of independent and strongly nationalistic regimes in the Arab world that distrusted the West and were willing to cooperate with the USSR.

1955-67

The Soviets were not ready to take advantage of this opening until 1955. By then Stalin and his ideological aversion to dealing with local nationalists in the Third World were gone, and a confluence of interest had emerged among the USSR, Egypt, and Syria aimed at undermining the alliance system the United States and Britain were establishing in the region—the Baghdad Pact. Egypt's Nasser opposed the pact because he saw it aimed at splitting the Arabs and isolating his regime. The Soviets opposed it as another link in the Western alliance system along their borders and as an impediment to the expansion of their influence in the Arab world. Khrushchev was pragmatic enough to recognize the opportunity and devise

a strategy to capitalize on it. The Soviets developed links to most Arab countries in the mid-1950s, but, as one prominent Western scholar of Soviet Middle Eastern policy wrote, the key to Soviet success in the Middle East after 1955 was not

a "correct Marxist-Leninist appraisal," nor loans or credits, nor very cunning diplomacy. Moscow did not gatecrash; it was invited to become a major Middle Eastern power by Egypt and Syria

The Soviets patiently increased their influence in the Arab world between 1955 and 1967. They were aided by such events as the Anglo-French collaboration with Israel in attacking Egypt in 1956 and the anti-Western backlash this fueled among the Arabs, and the overthrow of the pro-British monarchy in Iraq in 1958, which removed the only Arab country from the Baghdad Pact.⁶ The radical new regime in Baghdad appeared for a time to offer the best opportunity to the Soviets for leftist, perhaps even Communist, influence in the region, and Moscow moved quickly to

⁶ Walter Lagueur, *The Struggle for the Middle East* (Baltimore, Penguin Books, 1972), p. 28.

⁷ After Iraq's fallow, the alliance was reorganized as the Central Treaty Organization (CENTO), composed of Turkey, Iran, Pakistan, Britain, and the United States.

court the Iraqis—much to the displeasure of Nasser, who considered the Qasim regime a major rival. By the early 1960s, however, it had become clear that Marxist influence would not last in Iraq, and the Soviets accordingly paid more attention to cultivating Egypt and Syria.

In the northern tier, the Soviets abandoned Stalin's heavyhanded attempts to expand Moscow's influence and instead developed relatively extensive ties first to the Afghans, then the Turks, and finally to the Iranians. Ankara and Tehran remained closely linked to Washington but were receptive to improving relations with their powerful northern neighbor. The regime in Kabul, ruling a country that was geographically isolated and without links to another great power, was ripe for Soviet cultivation. Afghanistan remained nonaligned but was drawn closer and closer to Moscow.

1967-70

The massive defeat the Arabs suffered at the hands of Israel in the June 1967 war prompted them to move much closer to the USSR. The trend was most pronounced in Egypt, where Nasser put aside his earlier reservations about the Soviets and invited them in to rebuild and retrain his armed forces.

The Egyptian facilities the Soviets were allowed to use during 1967-72 gave Moscow the widest military access to the Middle East it has ever enjoyed. The

Mediterranean Squadron gained extensive access to Egyptian ports and anchorages, and the Soviets established in Egypt their only naval aviation unit at the time outside the USSR. The unit eventually comprised naval reconnaissance, antisubmarine warfare, intelligence collection, and strike aircraft—significantly enhancing Moscow's capabilities to monitor US and NATO forces in the Mediterranean.

During 1967-70, the Soviets exerted more influence on Egyptian domestic policy than they ever have, before or since. Former Egyptian Foreign Minister Ismail Fahmy claims in his memoirs that the Soviet Ambassador in Cairo at the time played "a more influential role in Egypt than even Lord Cromer had during the early years of British Colonial rule." The Soviets looked favorably on the "progressive" changes Nasser implemented, especially the growing influence he gave the ruling Arab Socialist Union, which was led by the staunchly pro-Soviet Ali Sabry. Moscow may have even believed, judging from a study on Egypt by two of the USSR's leading Middle East watchers, that Nasser was gradually moving in his last years toward acceptance of "scientific socialism." Whether or not he was, his death in September 1970 made the question moot and marked the beginning of the decline of Soviet influence in the Arab world.

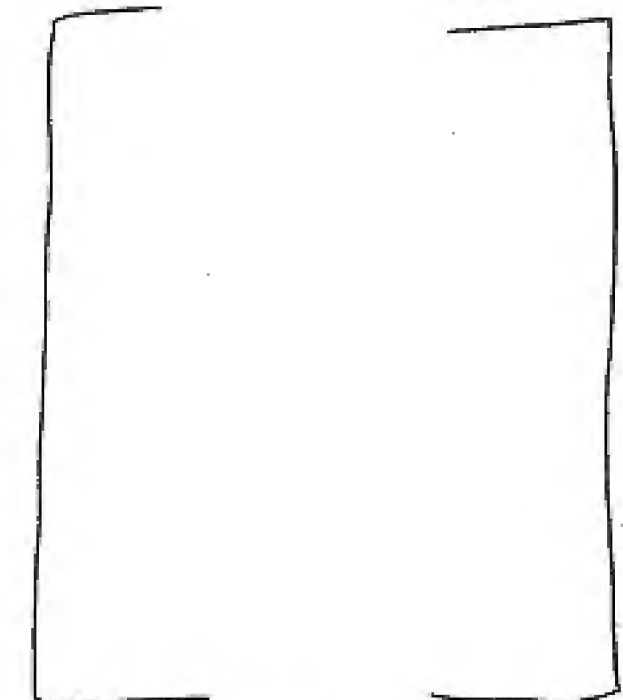
Appendix B

Moscow and the Arab-Israeli Peace Process

Soviet officials recognize that the Arab-Israeli conflict has been and is likely to remain the central issue in the Middle East. We believe the Soviets do not view the Arab-Israeli peace process as an end in itself but as a means to enhance their influence in the Middle East, especially at the expense of the United States. Moscow realizes US support for Israel is the major obstacle to improved US-Arab ties and that the Arab-Israeli dispute increases the receptivity of the Arabs to Soviet military and political backing. The Soviets do not necessarily want to solve a problem that has brought them substantial benefits but almost certainly would support a settlement that satisfied their Arab allies and institutionalized a Soviet role in the region.

The Soviet Union has been a participant in the peace process since the creation of the Israeli state and the first Arab-Israeli war in 1948. As the USSR expanded its presence in the region from the mid-1950s on, it played increasingly influential roles in negotiating the cease-fires that ended the Arab-Israeli conflicts in 1956, 1967, 1970, and 1973. Despite these efforts, the Soviets have been unable to sustain their influence in the peace process much past the end of each war. When the Arab states that Moscow had armed sought to develop the cease-fires into a genuine political settlement, they turned to the United States because of Washington's leverage with Israel.

Moscow's specific diplomatic goal has been to obtain a seat at the Arab-Israeli negotiating table as a coequal of Washington. It achieved this briefly in 1969-70, in December 1973 at the Geneva Conference, and—on paper—in an agreement with the United States in October 1977. Regaining such a role would be an acknowledgment by the United States and the states in the region of the Soviet Union's "legitimate role" in the Middle East. More concretely, it would enhance the Soviets' ability to block any US-sponsored settlement they believed harmful to their interests.



The Soviets repeatedly call both publicly and privately for a return to US-Soviet cooperation on the peace process and for a reconvened international conference. Senior Soviet Middle Eastern specialist Primakov's most recent book displays indignation at Washington's "betrayal" of the agreement between the United States and the Soviet Union in October 1977 to reconvene the Geneva Conference on the Arab-Israeli question. A TASS commentator noted that President Reagan's omission of the Middle East—during an address at the United Nations in October 1985—from his list of regional conflicts that the superpowers could jointly resolve was indicative of Washington's unilateral departure from "the joint Soviet-American accords on a Middle East settlement."

The Soviets have issued numerous Arab-Israeli peace proposals over the years. Their July 1984 plan contains the most detailed elaboration Moscow has issued of the mechanics of an international conference (see inset). The provisions closely follow the Kremlin's plan for the Geneva Conference of December 1973 but

29 July 1984 Soviet Proposal for an Arab-Israeli Peace Settlement*

The following six "principles" should be negotiated at an international conference:

1. *Israeli withdrawal from all Arab territories seized in 1967 and after; recognition of inviolability of new borders; dismantlement of Israeli settlements established on Arab land after 1967.*
2. *Creation of a Palestinian state on the West Bank and Gaza Strip; a short transition phase during which the United Nations administers the territories is acceptable; the new state has the right to form a confederation.*
3. *Incorporation of East Jerusalem into the new Palestinian state.*
4. *All states in the region guaranteed the right to a secure and independent existence and development.*
5. *An end to the state of war between Israel and the Arab states, and a commitment by all parties to respect each other's sovereignty, independence, and territorial integrity and to resolve disputes peacefully.*
6. *Guarantee of the settlement by the permanent members of the UN Security Council or the Council as a whole. The Soviet Union is ready to participate in such guarantees.*

The conference would be attended by Israel, Syria, Egypt, Jordan, Lebanon, the PLO, the United States, the USSR, and by "some" other states from the Middle East and from "areas adjoining it" capable of making a "positive contribution."

* Boldface points were not in Soviets' previous proposal, 15 September 1982.

appear aimed at preventing what happened then, when Washington outmaneuvered the Soviets and brokered separate Israeli-Egyptian and Israeli-Syrian agreements

The views of its Arab allies are a major constraint on the USSR's maneuverability with respect to a peace settlement. Moscow has made some attempts in the past to moderate the positions of its allies:

claims that the Soviets were genuinely trying to influence the Arabs toward agreeing to a peace settlement with Israel in the late 1960s and early 1970s.

indicates that the Soviets tried repeatedly—and unsuccessfully—in 1967 to convince Syria to accept UN Security Council Resolution 242 as a basis for resolving the Arab-Israeli dispute. They were similarly unable to convince Damascus to attend the Geneva Conference in 1973 or support its reconvening in 1977.

Moscow pressed Baghdad hard in the early 1970s to accept UN Resolution 242.

- Senior PLO official Khalil Wazir noted in an interview with a Kuwaiti newspaper in March 1986 that the "Soviet Union has asked us since 1968 to recognize" resolutions 242 and 338

indicate that the Soviets suggested that PLO recognition of Israel's right to exist would facilitate attainment of Palestinian objectives in the peace process. The Soviets continue to advise the PLO leader to accept resolutions 242 and 338 and Israel's right to exist according

The USSR, however, has shown it is not willing to press its Arab allies too hard or get too far out in front of them in the peace process. In 1969, for example, Egypt tentatively accepted a UN proposal for indirect negotiations with Israel, and the Soviets informed the United States that this framework might be acceptable to them.

When Nasser subsequently changed his mind, Moscow similarly reversed its position in discussions with US officials.

The Soviets, if they obtained a significant role in a peace conference, might again attempt to moderate their allies' positions. We believe, however, that the Soviet Union does not possess the leverage to make Syria and the PLO sign an agreement that did not meet their objectives, and it would not risk damaging bilateral relations—especially with Damascus—by pushing them too hard on the issue.

The Situation Today

The agreement between Jordan's King Hussein and PLO leader Arafat on 11 February 1985 to form a joint delegation for peace talks once again threatened to leave the USSR on the sidelines of the peace process. The Reagan Plan of September 1982 called for just such a joint Jordanian-Palestinian delegation to enter direct peace talks with Israel. Soviet criticism of the Arafat-Hussein agreement was direct and strong, and Moscow loudly applauded Hussein's abandonment of the agreement in February 1986.

The Kremlin may be encouraged by the wider support its plan for an international conference has received. Now virtually all of the Arabs—save Libya and Iraq—have endorsed the idea, although with widely varying degrees of enthusiasm. Even the United States and Israel have dropped their total opposition to attending some form of international conference at which the USSR is present. The Soviets, however, remain skeptical about Washington's and Tel Aviv's change of heart.

Moscow's latest scheme for getting its foot in the door of Arab-Israeli negotiations—via a preparatory conference for the formal international conference—is likely to go the way of past Soviet gambits. The idea

first raised by Gorbachev in July 1986

was given formal public endorsement by Shevardnadze in his speech to the United Nations in September.

the Soviets had no clear ideas on such a preparatory conference.

Among Moscow's Arab friends, the Syrians, as usual, have been the coolest toward the scheme. Although Soviet media stated that Shevardnadze and Syrian Foreign Minister Shara' discussed the Soviet proposal for a preparatory conference during their meeting at the United Nations in September, Syrian media made no mention of it. The key stumblingblocks for Damascus remain the participation in any conference on the Arab-Israeli dispute, whether preparatory or not, of Israel and Yasir Arafat's wing of the PLO. The Soviets are no closer to loosening the Syrian knot. Until they do, there will be no international conference along the lines they propose, even if Israel and the United States acquiesce in the Soviet plan.

Appendix C

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Appendix D

Soviet Ambassadors to Middle Eastern Countries


Country	Ambassador	Assumed Post	Replaced (Assumed Post)
Afghanistan	Pavel Mozhayev	August 1986	Eirkyat Tabeyev (1979)
Algeria	Vasiliy Taratutu	April 1983	Vasiliy Rykov (1975)
Bahrain	(no diplomatic relations)		
Egypt	Gennadiy Zhuravlev	September 1986	Aleksandr Belonogor (1984)
Iran	Vil Boldyrev	May 1982	Vladimir Vinogradov (1977)
Iraq	Viktor Minin	March 1982	Anatoliy Barkovskiy (1973)
Israel	(Moscow broke relations in June 1967)		
Jordan	Aleksandr Zinchuk	February 1985	Rafik Nishanov (1978)
Kuwait	(Post vacant since October 1986)		Pogos Akopov (1983)
Lebanon	Vasiliy Kolotusha	May 1986	Aleksandr Soldatov (1974)
Libya	Pogos Akopov	October 1986	Oleg Peresypkin (1984)
Mauritania	Leonid Komogorov	November 1986	Ivan Spitskiy (1981)
Morocco	Malik Fazylor	December 1983	Yevgeniy Nermesov (1978)
Oman	Aleksandr Zinchuk	May 1986	First ambassador (also ambassador to Jordan; resides in Jordan)
Qatar	(no diplomatic relations)		
Saudi Arabia	(no resident ambassador since mid-1930s)		
Sudan	Yevgeniy Musiyko	October 1983	Vladislav Zhukov (1978)
Syria	Aleksandr Dzasokhov	October 1986	Feliks Fedotov (1984)
Tunisia	Vladimir Sobchenko	November 1986	Vsevolod Kizichenko (1981)
Turkey	Vladimir Lavrov	October 1983	Aleksey Rodionov (1974)
UAE	Feliks Fedotov	October 1986	First ambassador
Yemen, North	Anatoliy Filer	August 1984	Oleg Peresypkin (1980)
Yemen, South	Albert Rachkov	July 1986	Vladislav Zhukov (1982)

Appendix E

Estimated Numbers of Soviet Personnel in the Middle East, 1986

Country	Diplomatic (Not Including Dependents)	Military * (Advisers and Technicians)	Economic (Advisers and Technicians)	Total
Afghanistan	130	2,000	5,000	7,130
Algeria	80	800	6,000	6,880
Bahrain	0	0	0	0
Egypt	170	0	200	370
Iran	40	0	1,400	1,440
Iraq	50	1,000	5,500	6,550
Israel ^b	0	0	0	0
Jordan	20	50	0	70
Kuwait	40	20	0	60
Lebanon	40	0	0	40
Libya	50	2,000	5,000	7,050
Mauritania	20	0	0	20
Morocco	120	0	175	295
Oman	0	0	0	0
Qatar	0	0	0	0
Saudi Arabia	0	0	0	0
Sudan	20	0	0	20
Syria	90	3,000	1,000	4,090
Tunisia	130	0	240	370
Turkey	150	0	5,500	1,650
UAE	20	0	10	20
Yemen, North	150	500	175	825
Yemen, South	30	1,000	550	1,580
Total	1,350	10,370	26,750	38,470

* In addition, there are approximately 116,000 Soviet combat troops in Afghanistan, and there are 400 troops in independent Soviet military units in Syria and 300 in South Yemen.

^b Although there are no official Soviet Government representatives in Israel, the Soviet-controlled Moscow Patriarchate of the Russian Orthodox Church has a dozen or so officials in Jerusalem administering the properties it has held since the 18th century. 




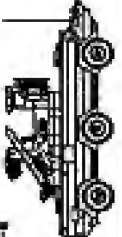


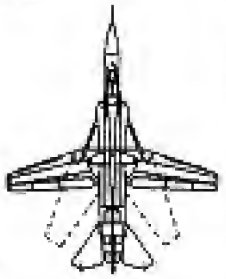
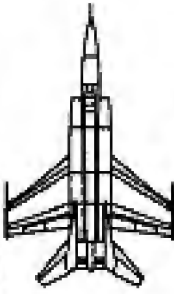





 indicates that some of these "priests" are in fact KGB officers.

Figure 10
Major Soviet Weapon Systems
Delivered to Syria Since 1982

Description		Introduced in Soviet Forces/ in Syria
Air Defense Systems		
SA-3		Long-range (240-275 km) high-altitude SAM. Primary Soviet strategic defense against US bombers. []
SA-6		Mobile, low-to-medium altitude, medium-range (14 km) SAM with improved ECCM. []
SA-8		Mobile, low-altitude, short-range (12 km) SAM. Used by ground forces and for point defense. []
SA-13		Low-altitude, short-range (7 km) SAM. Tracked and possibly improved version of older wheeled SA-9. []
SA-14		Improved shoulder-fired SAM with cooled infrared detector to intercept target head-on. []
MBG-21 Fighter G		
		
Tactical fighter. Syrians have latest version (MLD), best in Soviet operational inventory. []		
Air Defense Systems		
MBG-25 Fighter E		Advanced interceptor with improved airborne intercept radar. Has limited capability to track targets flying below it. []
Ground Forces Systems		
T-72 M1		Probably the only NATO has designated the T-72 (M1) (T-72). Equipped with laser rangefinders and possibly thicker frontal armor. May be vulnerable only to the latest and heaviest Western anti-tank systems. []
SS-21		Tactical surface-to-surface missile with effective range of approximately 70 km. Capable of firing nuclear, chemical, high explosive, or improved conventional warheads. Syrians probably provided with latter two. []
Electronic/Electronic Warfare Equipment		
Case Club		Electronic data link for ground-based air defense; jam resistant. []
Big Cap Pole Horn Pole Star		Top-of-the-line Soviet electronic warfare equipment. Possibly operated by Syrians. []
ME-8 RIF ATK		ECM-equipped helicopter for airborne jamming. Probably maintained by Syrians. []
Naval Systems		
SSC-1B		An anti-ship cruise missile on mobile launcher for coastal defense with a range of up to 100 km. []
SSC-3		Anti-ship cruise missile on mobile launcher for coastal defense with a range of 80 km. []

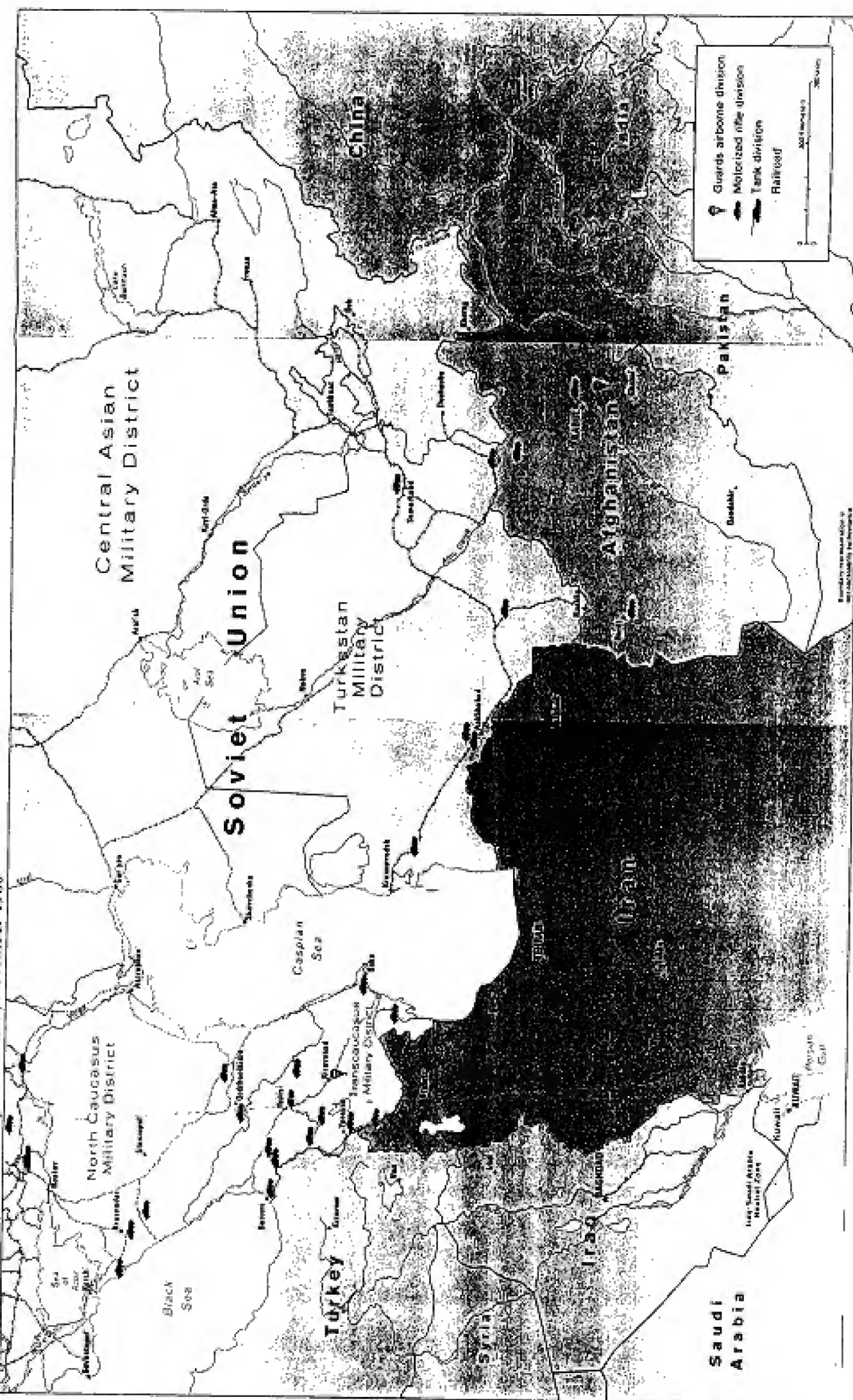
Notes: Data based on information as of November 1984.

Figure 11
Ethnic Groups in Southern Soviet Union and Neighboring Middle Eastern Countries



SECRET

Figure 12
Soviet Theater Forces in Areas Adjacent to Iran, November 1986



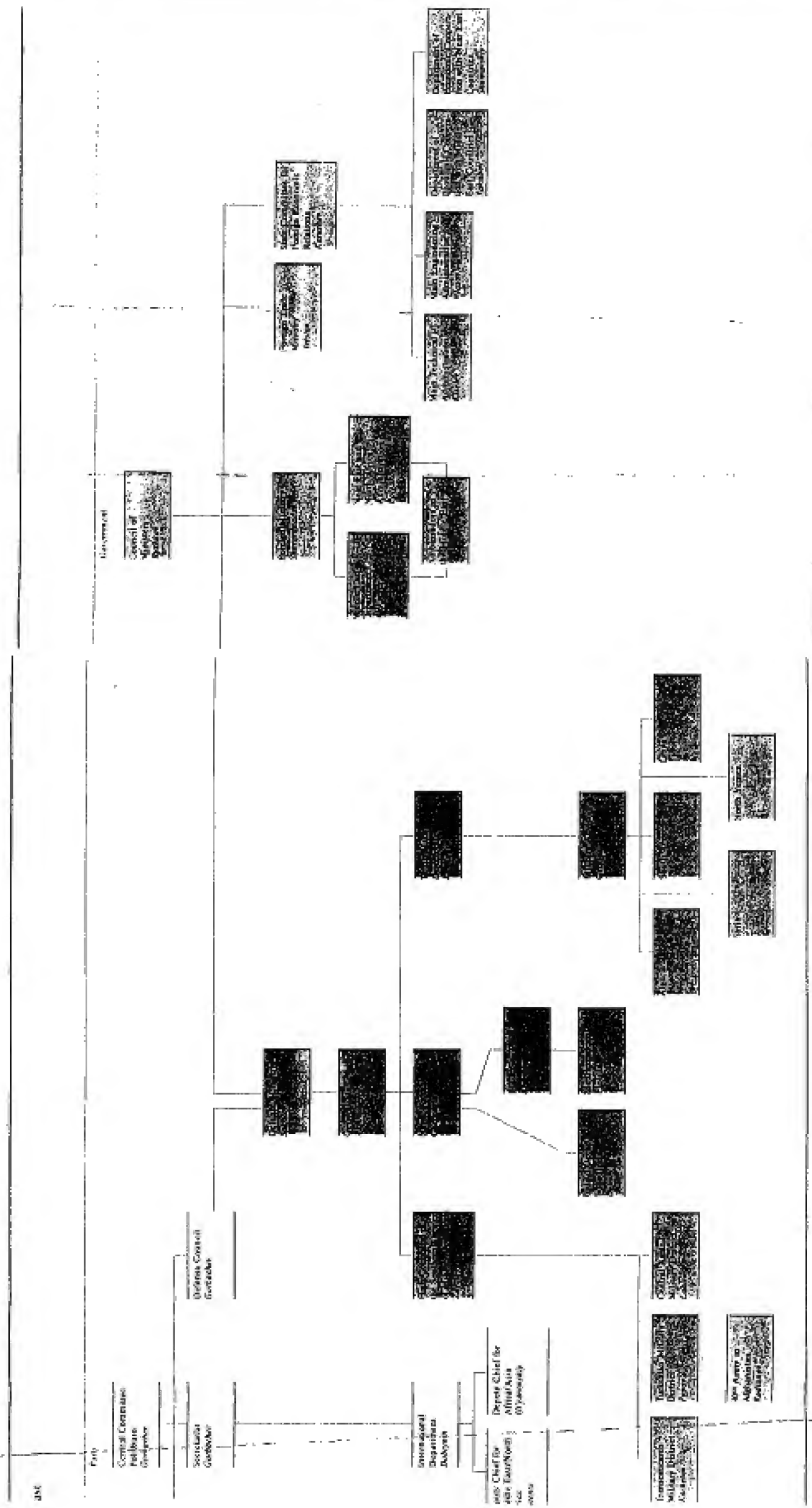


Figure 14
The Middle East

